

File

Sogemines Limited

The logo for Sogemines Limited is centered on a teal background. It features the word "Sogemines" in a large, white, serif font. Below it, the word "LIMITED" is written in a smaller, white, sans-serif font. The text is contained within a dark blue, horizontally-oriented oval shape that has a scalloped or cloud-like border.

Sogemines
LIMITED

Interim Report

Six Months

Ended June 30, 1968

The Company's acquisition programme is now commencing to contribute substantially to the earnings of the Company. The consolidated earnings for the first six months of 1968 of the Company and its subsidiaries, including McAllister Towing Ltd., amounted to \$3,503,000 or 63 cents per average share outstanding, compared with \$2,023,000 or 42 cents in 1967. This represents an improvement of 73% in earnings or 50% in earnings per share. The earnings per share show a lower percentage increase as a result of additional shares issued principally for the acquisition of McAllister Towing Ltd.

The 1968 earnings include those of the mixed fertilizer operations and of McAllister Towing Ltd., which were not part of the Company's operations in 1967. All of the annual earnings from the fertilizer operations normally occur during the first half of the year and consequently no earnings from these operations are forecast for the remainder of 1968. The Company expects that the earnings of BACM Industries Limited will have a beneficial effect on the earnings per share of the Company during the second half of the year.

The earnings of McAllister Towing Ltd. and of the import, export and industrial products division showed improvement over earnings of the previous year. The earnings of the cement division continued to be satisfactory while the sales volume of fertilizers was less than satisfactory and prices continued to be depressed.

<i>Statement of Earnings</i>	<i>6 Months Ended June 30th</i>	
	<i>1968</i>	<i>1967</i>
Sales and investment income	\$83,779,000	\$34,757,000
Cost of sales including selling, general and administrative expenses	76,296,000	30,171,000
Interest on long-term debt	967,000	573,000
Depreciation	2,911,000	1,990,000
Minority interest	35,000	—
	80,209,000	32,734,000
Net Earnings before taxes	3,570,000	2,023,000
Provision for current income taxes	67,000	—
Net Earnings	\$ 3,503,000	\$ 2,023,000
Net Earnings per share	0.63	0.42
Cash flow per share	1.15	0.84
Average number of shares outstanding	5,581,860	4,761,097

6 Months Ended June 30th

Statement of Source &

Use of Funds

SOURCE OF FUNDS

	<u>1968</u>	<u>1967</u>
Net Earnings	\$ 3,503,000	\$ 2,023,000
Add: Non-cash Items		
Depreciation	2,911,000	1,990,000
Minority Interest	23,000	—
	<u>6,437,000</u>	<u>4,013,000</u>
New long-term debt—		
Net proceeds of 8% First Mortgage Bonds Series "D"	14,512,000	
5% Note Payable		5,200,000
Realizations on investments	1,195,000	
Common Shares issued for acquisitions	\$10,699,000	\$ 1,880,000
Add: Long term debt assumed, minority interest, and application of investments and deposits made previously	9,704,000	122,000
	<u>20,403,000</u>	<u>2,002,000</u>
Less: Net fixed assets and investments acquired	18,579,000	1,824,000
		<u>665,000</u>
Sale of fixed assets		9,249,000
Less: Investments acquired		6,626,000
	<u>23,968,000</u>	<u>13,173,000</u>
<u>USE OF FUNDS</u>		
Purchase of fixed assets	1,601,000	7,143,000
Purchase of investments	112,000	3,053,000
Retirement of long-term debt	2,511,000	981,000
Special refundable income taxes	—	86,000
	<u>4,224,000</u>	<u>11,263,000</u>
Increase in Working Capital	\$19,744,000	\$ 1,910,000
Working Capital at June 30	<u>\$22,601,000</u>	<u>\$ 3,451,000</u>

In July 1968, the Company acquired 890,000 shares or 54.4% of the outstanding shares of BACM Industries Limited of Winnipeg. The consideration for these shares included the payment of \$6,300,000 in cash, the issuance of 450,000 shares and non-interest bearing five-year notes of the Company.

BACM Industries Limited is a diversified and integrated enterprise engaged in the manufacture and distribution of pre-cast and pre-stressed structural and architectural concrete products, ready-mix concrete and gypsum wall board, sand, gravel, classified aggregates, gypsum and other materials; the erection of dwellings and specialized structures, commercial and institutional buildings and housing; the development of land; and a wide range of heavy construction activities throughout Western Canada. BACM Industries Limited has recently acquired Standard Holdings Limited and Jefferies Developments Ltd. of Calgary.

The Company now owns over 98% of the outstanding shares of McAllister Towing Ltd. and the share exchange Offer has been extended to September 20th for the McAllister shareholders who, to date, have not accepted the Offer.

The acquisition of J. Kearns Transport Ltd. of Regina has been completed. Kearns provides hauling facilities for the Inland Cement division of the Company as well as other customers in Saskatchewan and Alberta; its operations are similar to Adby Transport Limited, a wholly-owned subsidiary of the Company operating in Alberta.

During June, the Company successfully offered \$15 million 8% First Mortgage Sinking Fund Bonds Series "D" due 1988 with share purchase warrants attached. The funds derived from this offering were used to reduce bank loans, thus providing a substantial increase in the Company's working capital.

The Company's assets now total in excess of \$240,000,000 and sales on an annualized basis are estimated to be over \$250,000,000.

August 12, 1968
Montreal, Canada

La proposition de rachat de toutes les actions émises de la société McAllister Towing Ltd. dont Sogemines détient à ce jour 98% a été prolongée jusqu'au 20 septembre prochain.

Sogemines vient de racheter la société J. Kearns Transport Ltd. établie à Regina et qui est spécialisée dans le transport des produits de la division Inland Cement et d'autres clients du Saskatchewan et de l'Alberta. Les activités de J. Kearns Transport sont identiques à celles déployées par Aaby Transport Limited, filiale à 100% de Sogemines et dont l'activité se situe en Alberta.

Sogemines a émis avec succès en juin dernier un emprunt de \$15 millions d'obligations de premier hypothèque à 8% avec warrants et avec échéance en 1988. Ces fonds ont été utilisés à la réduction des emprunts bancaires et permettent à Sogemines d'augmenter sensiblement ses fonds de roulement.

Les avoirs de Sogemines Limited dépassent actuellement \$240,000,000 et le montant des ventes annuelles est supérieur à \$250,000,000.

Le 12 août 1968,

Montréal, Canada.

Etat des mouvements de

trésorerie

1968

1967

PROVENANCE DES FONDS		
Bénéfice net	\$ 3,503,000	\$ 2,023,000
Ajouter: Articles autres que ceux de l'encaisse	2,911,000	1,990,000
Amortissements	23,000	—
Participations minoritaires	6,437,000	4,013,000
Augmentation de la dette à long terme—		
Produit net des obligations 8% première hypothèque, série "D"	14,512,000	
Bons de caisse 5% payables annuellement jusqu'en 1971		5,200,000
Vente de valeurs mobilières	1,195,000	
Actions ordinaires émises pour acquisitions	\$10,699,000	
Ajouter: Dette à long terme assumée, participations minoritaires, placements et dépôts effectués précédemment	9,704,000	122,000
	20,403,000	2,002,000
Déduire: Actifs nets immobiliers et placements acquis	18,579,000	665,000
Vente d'actifs immobiliers		9,249,000
Déduire: placements acquis		6,626,000
	1,824,000	2,623,000
		13,173,000
UTILISATION DES FONDS		
Achat de valeurs immobilières	1,601,000	7,143,000
Achat d'actifs immobiliers	112,000	3,053,000
Remboursements sur la dette à long-terme	2,511,000	981,000
Impôt spécial remboursable sur le revenu	—	86,000
	4,224,000	11,263,000
Augmentation du fonds de roulement	\$19,744,000	\$ 1,910,000
Fonds de roulement au 30 juin	\$22,601,000	\$ 3,451,000

Sogemines a acquis, en juillet 1968, 890,000 parts représentant 54,4% des actions émises de BACM Industries Limited. Pour cet achat, Sogemines a effectué un débours de \$6,300,000 et elle a émis 450,000 actions nouvelles ainsi que des certificats à cinq ans sans intérêt.

BACM Industries est une entreprise diversifiée et intégrée qui a pour activités principales la fabrication et la distribution de béton et de produits en béton, de panneaux muraux en plâtre, de sable et de gravier, d'habitations ainsi que la mise en valeurs immobilières et l'entreprise de grands travaux dans les provinces de l'ouest du Canada. BACM Industries a récemment acquis à Calgary les sociétés Standard Holdings Limited et Jefferies Developments Ltd.

Le programme d'acquisitions mis sur pied par la

direction de la Société a eu pour effet l'amélioration sensible des bénéfices. Pour les six premiers mois de 1968, les bénéfices consolidés de la Société et de ses filiales, y compris McAllister Towing Ltd., s'élevaient à \$3,503,000 ou 63 cents par actions émises, contre \$2,023,000 ou 42 cents par actions en 1967. Ces résultats représentent une amélioration de 73% des bénéfices nets et de 50% des bénéfices par actions. La différence s'explique par l'émission d'actions nouvelles particulièrement pour l'acquisition de McAllister Towing Ltd.

Dans les résultats de 1968 sont inclus ceux de la division engrais chimiques et de McAllister Towing Ltd. qui ne figuraient pas dans les résultats de la Société en 1967. La majeure partie des bénéfices provenant de la division des fertilisants sont réalisés au cours du premier semestre. En contrepartie, la Société espère que les bénéfices de BACM Industries Limited auront un effet favorable sur les résultats de la Société durant la deuxième partie de l'année.

McAllister Towing Ltd. ainsi que les activités d'importation et d'exportation ont enregistré durant les six premiers mois de l'année en cours des résultats supérieurs à ceux de la période correspondante en 1967. Les bénéfices de la division ciment restent satisfaisants. Le volume de ventes d'engrais mixtes et de produits chimiques n'a pas répondu à l'attente et les prix de vente ont continué à être dépréciés.

<i>Etat des bénéfices</i>		<i>6 mois terminés le 30 juin</i>	
	<i>1968</i>		<i>1967</i>
Ventes et revenus de portefeuille	\$83,779,000	\$34,757,000	
Coût des ventes et d'administration	76,296,000	30,171,000	
Intérêts sur dette à long terme	967,000	573,000	
Amortissements	2,911,000	1,990,000	
Participations minoritaires	35,000	—	
	80,209,000	32,734,000	
Bénéfice net avant imposition	3,570,000	2,023,000	
Provision d'impôts	67,000	—	
Bénéfice net	\$ 3,503,000	\$ 2,023,000	
Bénéfice par action	0.63	0.42	
Cash flow par action	1.15	0.84	
Nombre d'actions émises	5,581,860	4,761,097	

AR34

terminés le 30 juin 1968

Six mois

Rapport Provisoire

Sogemines
LIMITED

Sogemines Limited

AR34

GENEVE

This Offer is restricted to the holders of shares of McAllister Towing Ltd. but is not otherwise to be construed as a public offering.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.



OFFER

to the holders of shares

of

McAllister Towing Ltd.

by

Sogemines Limited

The basis of this Offer is as follows:

Nine common shares without nominal or par value of Sogemines for each ten shares without nominal or par value of McAllister.

This Offer is, subject to the provisions hereof, open for acceptance up to and including Tuesday, June 18, 1968.

This Offer will not be binding on Sogemines, (i) unless and until acceptances have been received with respect to at least 615,000 shares of McAllister, and (ii) if the acquisition of the shares of McAllister is disallowed by the Canadian Transport Commission, in which regard reference is made to page 3 hereof.

The formal Offer is set forth on page 3 hereof.

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The following constitutes full, true and plain disclosure of all material facts relating to the common shares without nominal or par value of Sogemines Limited offered by it in exchange for the issued and outstanding shares without nominal or par value of McAllister Towing Ltd. not now owned by Sogemines Limited as required by Part IX of The Securities Act, 1966 (Ontario) and the regulations thereunder, Part X of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, Part 9 of The Securities Act, 1967 (Alberta) and the regulations thereunder and Part IX of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

Sogemines Limited

Montreal, Quebec, April 16, 1968

To the holders of shares
without nominal or par
value of McAllister
Towing Ltd.:

Sogemines Limited (herein called the "Company") hereby offers to acquire, subject to the terms and conditions hereinafter set forth, all your shares of the capital stock of McAllister Towing Ltd. (herein called "McAllister") on the basis of nine fully paid and non-assessable common shares without nominal or par value (herein called "Common Shares") of the capital stock of the Company for each ten shares of McAllister.

1. Period and Manner of Acceptance. This offer (herein called the "Offer") may be accepted by you at any time up to and including Tuesday, June 18, 1968 or any later date to which the Offer may be extended from time to time by notice given in the manner hereinafter set forth (which period of time up to June 18, 1968 and all extensions thereof is herein called the "Offering Time") by completing promptly in the manner therein specified the form of letter of transmittal (page 25) attached hereto and forwarding it, together with the certificate(s) representing your shares of McAllister, to Montreal Trust Company (herein called the "Exchange Agent") at any of the following offices: 1695 Hollis Street, Halifax, Nova Scotia; 43 King Street, Saint John, New Brunswick; 777 Dorchester Boulevard West, Montreal, Quebec; 15 King Street West, Toronto, Ontario; Notre Dame at Albert Street, Winnipeg, Manitoba; 10185-102 Street, Edmonton, Alberta; and 466 Howe Street, Vancouver, British Columbia; which letter of transmittal and certificate(s) must be delivered or mailed to the Exchange Agent within the Offering Time. Such certificate(s) need not be endorsed by you, but the letter of transmittal must be executed and the execution thereof guaranteed, all as specified in the letter of transmittal. Notice of any extension of the date up to which the Offer may be accepted shall be given by prepaid mail addressed to shareholders of McAllister.

2. Fractional Shares. No fractional Common Shares will be issued. Fractional interests will be settled by the issue of cash by the Exchange Agent to each holder of shares of McAllister who would otherwise be entitled to receive a fractional Common Share the amount of cash to be based on the weighted average of all board-lot sales of Common Shares on the Montreal and Toronto Stock Exchanges on the last business day preceding the initial date upon which shares of McAllister are taken up by the Company as provided in paragraph 4 hereof or, if no board lots have traded, the average mean of the closing quotes on the said two Exchanges on such day. It is estimated that the cash required to effect payment of any such fractional interests will not be in excess of \$1,000 and the Company will make arrangements to ensure that funds in that amount will be deposited with the Exchange Agent prior to said initial date of taking up.

3. Special Conditions. The Company shall not be bound by your acceptance of the Offer (i) unless and until the Exchange Agent advises the Company that the Offer has been accepted during the Offering Time with respect to at least 615,000 shares of McAllister, and (ii) if the acquisition of the shares of McAllister is disallowed by the Canadian Transport Commission pursuant to the provisions of the National Transportation Act. Such disallowance may only occur if, after public

notice, objections are made to the Canadian Transport Commission and if in the opinion of the Canadian Transport Commission such acquisition will unduly restrict competition or otherwise be prejudicial to the public interest. Management of the Company have no knowledge of any grounds which would result in such acquisition being so disallowed.

4. Delivery. Upon the fulfilment or waiver of the conditions referred to in paragraph 3 hereof but in any event not prior to June 18, 1968 any shares of McAllister, certificate(s) for which and the properly executed and guaranteed letter of transmittal in respect of which are delivered to the Exchange Agent within the Offering Time and in the manner herein provided, shall be taken up and there will be issued and forwarded by insured mail to each shareholder accepting the Offer, at the address under which the surrendered shares of McAllister are registered, unless instructions have been given in the letter of transmittal to deliver against counter receipt or otherwise (in which event such instructions will be followed):—

(a) certificate(s) for the appropriate number of Common Shares issued in the name under which the surrendered shares of McAllister are registered, unless indicated otherwise in the letter of transmittal, and

(b) where applicable, a cheque in an amount representing a fractional Common Share payable at par in Montreal to the order of the name under which the surrendered shares of McAllister are registered, unless indicated otherwise in the letter of transmittal.

If the conditions referred to in paragraph 3 hereof are not fulfilled or waived by the Company prior to July 1, 1968, certificate(s) for all shares delivered by you to the Exchange Agent pursuant to the Offer shall be returned as soon as possible in the same manner as is provided above in this paragraph 4 for the delivery of certificate(s) for Common Shares provided, however, that such date of July 1, 1968 may be extended by the Company for a further period or periods totalling not more than 90 days in the event that any objections to the acquisition of the shares of McAllister are made to the Canadian Transport Commission and have not been disposed of or acted upon by the Commission.

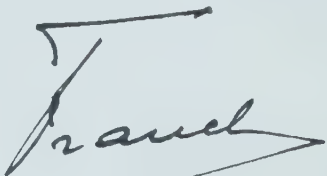
5. Right of Withdrawal. Any shares deposited pursuant to the Offer may be withdrawn by you at any time until but not after the expiration of seven (7) days from the date on which the Offer was mailed.

6. Transfer Taxes. The Company will pay the stock transfer taxes in respect of the transfer to it of the shares of McAllister.

7. Waiver of Conditions. Any or all the conditions of paragraph 3 hereof may be waived in whole or in part by the Company.

Shareholders are advised to use registered mail for their protection when forwarding their certificate(s).

SOGEMINES LIMITED



President.

**SUMMARY OF THE ATTRIBUTES AND CHARACTERISTICS RELATING TO THE
COMMON SHARES OF THE COMPANY.**

- Dividends:*** The Company paid in respect of the year ended December 31, 1967 a dividend of 65¢ on each Common Share. Further particulars as to the payment of dividends by the Company in recent years are set forth under the heading "Dividend Record" on page 6.
- Voting Rights:*** The holders of the Common Shares are entitled to one vote per share at all meetings of shareholders.
- Listing:*** The Common Shares are listed on the Montreal, Toronto, Calgary and Vancouver Stock Exchanges and the Brussels and Antwerp Bourses. Application will be made for listing the Common Shares to be issued pursuant to the terms of the Offer on the said Exchanges and Bourses.
- Registrar and Transfer Agent:*** Montreal Trust Company, Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Edmonton, Alta.; and Vancouver, B.C.

EXPENSES OF ACQUISITION

The Company will pay to Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada a management fee of \$15,000 and may pay to the Soliciting Dealer Group a fee of 12¢ per share of McAllister exchanged pursuant to the Offer as more fully set out in paragraph (ix) on page 17 under the heading "Material Contracts". Legal, auditing, printing and miscellaneous expenses, estimated to amount to \$40,000, are to be borne by the Company.

MATERIAL CHANGE IN McALLISTER

The Company does not know of any information that indicates any material change in the financial position or prospects of McAllister since December 31, 1967.

MATERIAL CHANGE IN THE COMPANY

The Company does not know of any information that indicates any material change in the financial position or prospects of the Company since December 31, 1967 except as regards acquisitions made since that date and referred to in Note 2 to the Consolidated Financial Statements on page 21.

DIVIDEND RECORD

The Company has paid the following dividends on its outstanding Common Shares in respect of each of the following years ended December 31:

	<u>1963(1)</u>	<u>1964(1)</u>	<u>1965</u>	<u>1966</u>	<u>1967(2)</u>
Per share.....	—	—	60¢	65¢	65¢
Total amount (000's)....	—	—	\$2,820	\$3,055	\$3,165

(1) Prior to the consolidation in 1965 referred to under the heading "Organization and Development" on page 7 no dividends were paid by the Company. However, dividends were paid regularly by Inland Cement Company Limited in each of the years 1959 to 1964 inclusive. In respect of the years 1963 and 1964 Inland Cement Company Limited paid dividends of 8% per share on its 6% Participating Preferred Shares and on its Ordinary Shares.

(2) Declared on December 13, 1967 and paid on January 12, 1968.

MARKET PRICE RANGE AND VOLUME OF TRADING OF SHARES OF McALLISTER AND COMMON SHARES OF THE COMPANY

The following is a summary showing in reasonable detail the market price range in dollars per share and volume of trading of the shares of McAllister on the Montreal Stock Exchange, the market price range in dollars per share of the Common Shares of the Company on the Montreal and Toronto Stock Exchanges and the volume of trading of the Common Shares of the Company on the Montreal and Toronto Stock Exchanges and on the Brussels and Antwerp Bourses in the six month period preceding the date of the Offer:

<u>Month of</u>	<u>McAllister</u>			<u>the Company</u>		
	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October, 1967	\$14	\$11	21,066	\$16 $\frac{7}{8}$	\$15 $\frac{1}{2}$	86,015
November, 1967	11 $\frac{1}{8}$	10 $\frac{1}{8}$	4,415	16	15	42,588
December, 1967	11	10	10,485	15 $\frac{1}{2}$	13 $\frac{1}{2}$	58,893
January, 1968	10	9	2,810	14 $\frac{1}{2}$	13 $\frac{1}{4}$	71,315
February, 1968	10 $\frac{1}{2}$	9	5,515	14 $\frac{3}{8}$	13 $\frac{5}{8}$	37,634
March, 1968	9 $\frac{5}{8}$	8 $\frac{3}{4}$	6,495	14 $\frac{1}{4}$	13	46,989

It should be noted that an announcement concerning the proposal to make this Offer was made in October, 1967.

THE COMPANY

Sogemines Limited (the "Company") directly and through its subsidiaries is engaged in the manufacture and distribution of portland cement, industrial chemicals, fertilizer materials and mixed fertilizers, in the import of steel and non-ferrous metals and in the distribution of industrial products. Apart from its interest in McAllister, the Company also has substantial interests in companies in the pulp and paper industry and in real estate. As a result of the diversity of its operations and investments, the Company's interests extend to every province of Canada and into the United States.

The Company's policy is to found or acquire businesses in those industries which offer better than average earnings potential with the objective of enhancing its base for growth through diversification. The Company in association with others participated in the founding of three companies whose assets and operations were consolidated into those of the Company in 1965. Subsequently the Company has carried on an active acquisition programme with the result that its consolidated sales have increased from approximately \$37,000,000 in 1965 to approximately \$88,000,000 in 1967, the latter reflecting in the case of acquisitions made during 1967 only sales from the dates of acquisition. Consolidated assets at December 31, 1967 exceeded \$134,000,000.

The Company carries on its principal operations through its several divisions which operate as separate profit centres with their respective divisional chief executives having full authority for production and marketing and responsibility for earnings. The Company's corporate management concentrates on the development of new opportunities, expansion and diversification and is responsible for the co-ordination of the Company's financial resources.

The address of the Company's head office and principal office is 1 Place Ville Marie, Montreal, Quebec.

ORGANIZATION AND DEVELOPMENT

The Company was incorporated under the laws of Canada by Letters Patent dated May 9, 1951 as a private investment company under the sponsorship of Société Générale de Belgique. By Supplementary Letters Patent dated June 15, 1955 it became a public company.

The Company, in association with other companies of the Société Générale de Belgique group, participated in the founding of Inland Cement Company Limited in 1954, Iroquois Glass Limited in 1958 and Brockville Chemicals Limited in 1959. In 1965, the Company owned 61% of the voting shares of Brockville Chemicals Limited, 58% of the voting shares of Iroquois Glass Limited and 44% of the voting shares of Inland Cement Company Limited, and during that year the assets of these three operating companies were consolidated with those of the Company and operating divisions of the Company were established. In 1967, the assets and operations of the Company's Iroquois Glass Division were sold to Consumers Glass Company Limited.

Since early 1966, the Company has made several significant acquisitions which have added substantially to its growth of operations. Included in these acquisitions were the acquisition by the Company in 1966 of the assets and operations of Indussa Canada Limited, an importer and exporter of steel and industrial products, and of Industrial Sales (1961) Limited, a domestic manufacturers' agent; the acquisition in March, 1967 of all the outstanding shares of Indussa Corporation of New York, an importer of steel and non-ferrous metals and exporter of industrial products; the acquisition in August, 1967 of all the outstanding shares of Adby Construction and Transport Co. Ltd. ("Adby Transport"), which operates a fleet of highway transports in western Canada; the acquisition in June, 1967 of the fertilizer operations in eastern Canada and in the northeastern United States of Canada Packers Limited and one of its subsidiaries and the acquisition in January, 1968 of all the outstanding shares of International Fertilizers Limited and Albatros Fertilizers, Inc. which conduct fertilizer marketing activities complementary to those acquired from Canada Packers Limited.

MANUFACTURING AND DISTRIBUTION

Under this heading "Manufacturing and Distribution" reference to the "Company" includes reference to its subsidiaries and the description of the operations of the Company's divisions includes

the operations of their predecessor companies. The three principal categories of the Company's manufacturing and distribution operations are as follows:

Cement

Through its Inland Cement Division the Company is one of the two major manufacturers of cement in the Prairie Provinces and one of the three largest in Canada, marketing normal portland, high early strength, sulphate resistant, oil well and masonry cements and cements to meet the requirements of special projects.

The location, annual rated capacity, number of kilns and site area of each of the division's plants are as follows:

<u>Location</u>	<u>Annual rated capacity (barrels)</u>	<u>No. of kilns</u>	<u>Site area (acres)</u>
Edmonton.....	3,300,000	3	265
Regina.....	1,300,000	1	309
Winnipeg.....	2,000,000	1	248
Total.....	<u>6,600,000</u>	<u>5</u>	<u>822</u>

All the plant sites are owned by the Company and provide ample space for future expansion. The Company owns and operates limestone quarries in Alberta and Manitoba, which supply the requirements of the Edmonton and Regina plants, and purchases the limestone requirements of its Winnipeg plant from local sources. The Company holds long-term leases on extensive limestone deposits in Manitoba to meet the future requirements of its Winnipeg plant.

The division markets its products in an area which extends from the Lakehead to eastern British Columbia and includes the northwestern United States and the Northwest Territories. The division's 1967 sales were made to over 1,850 customers including ready-mix operators, concrete product manufacturers, building supply dealers, oil well cementing firms, construction contractors and all levels of government. The Company maintains sales offices in Edmonton, Calgary, Regina, Saskatoon, Winnipeg and Port Arthur and modern distribution centres which are fully utilized in Calgary, Saskatoon and Port Arthur.

The five-year growth in the division's sales of cement compared with the growth in the dollar value of total Canadian cement shipments is illustrated by the following table using an index figure of 100 to represent 1963 sales and value of shipments respectively.

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Inland Cement Division's sales of cement.....	100	106	133	148	164
Value of total Canadian cement shipments ⁽¹⁾	100	110	120	133	123 ⁽²⁾

(1) Source: Dominion Bureau of Statistics.

(2) Preliminary figure.

The cement industry has had a relatively stable record of growth and over the past 25 years the Canadian shipments of cement have increased annually except for two years. The Inland Cement Division's established position in western Canada has enabled it to benefit from the rapid rate of growth in that region and this division can continue to increase its sales without substantial expenditures for additional capacity. The continuing population expansion, increased government expenditures and industrial expansion, together with increased recognition of the advantages of reinforced and pre-cast concrete construction, hold considerable potential for the continuing growth of the division's operations.

Adby Transport owns a fleet of more than 70 highway transport units operating out of terminals located in Edmonton and Calgary. The fleet is used primarily for the distribution of the Inland

Cement Division's products and also provides trucking services for other customers in Alberta and British Columbia.

The Company has entered into a letter of intent with respect to the acquisition of all the outstanding shares of J. Kearns Transport Ltd. which operates a fleet of highway transport units in the four western Provinces out of terminals in Regina and Saskatoon. Its operations complement those of Adby Transport.

Industrial Chemicals, Fertilizer Materials and Mixed Fertilizers

The Company's Brockville Chemical Division is a manufacturer of industrial chemicals, fertilizer materials and mixed fertilizers.

The division's industrial chemicals and fertilizer materials plant is located on a 324 acre site at Maitland, Ontario, which provides ample space for future expansion. The plant's approximate annual capacity is 80,000 tons of ammonia, 55,000 tons of ammonium nitrate, 125,000 tons of nitrogen solutions, 163,000 tons of nitric acid, 50,000 tons of urea and varying amounts of related industrial gases. During 1967 the plant's capacities were substantially utilized. No expansion of such facilities is presently contemplated.

A substantial portion of the Maitland plant's production is presently sold to Du Pont of Canada Limited ("Du Pont") under a ten-year contract which expires at the end of 1971. This contract covers the sale to Du Pont of ammonia, hydrogen, nitrogen and certain ammonia based products which are delivered by direct pipeline to Du Pont's Maitland works. The balance of the plant's production is marketed throughout Ontario, Quebec and the Maritime Provinces in Canada and in the northeastern and midwestern United States by the division's own marketing personnel and agents. These products are sold under the Brockville Chemical Division's own trade name "Bull's Eye" to the chemical and pulp and paper industries, explosives manufacturers and fertilizer distributors and dealers.

The five-year growth in the division's sales of industrial chemicals and fertilizer materials compared with the growth in dollar value of the total Canadian chemical industry's shipments (which includes fertilizer materials) is illustrated in the following table using an index figure of 100 to represent 1963 sales and value of shipments respectively.

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Brockville Chemical Division's sales of industrial chemicals and fertilizer materials.....	100	104	126	148	149
Value of total Canadian chemical industry's shipments(1).....	100	109	120	131	134(2)

(1) Source: Dominion Bureau of Statistics.

(2) Preliminary figure.

As a result of its recent acquisitions, the Company produces a wide variety of mixed fertilizers from fertilizer materials purchased from other manufacturers and obtained from its Maitland plant. Fertilizer mixing operations are carried out at 12 processing plants located in Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Maine. While these processing plants are presently operating near capacity, the nature of their operations is such that they can be expanded without substantial capital expenditures. The mixed fertilizers are marketed under the trade names "Shur-Gain", "Spruceleigh" and "Albatros" pursuant to limited term agreements with the owners of such trade names.

The mixed fertilizer operations acquired in 1967 and 1968 had a sales volume in 1967 of approximately 400,000 tons which represented over 30% of the total estimated consumption of mixed fertilizers in eastern Canada in that year. The products manufactured at the division's Maitland plant can be sold either as industrial chemicals or as fertilizer materials. The mixed fertilizer operations acquired during 1967 and 1968 have in the past purchased the major portion of their fertilizer materials on the open market and their 1967 consumption of fertilizer materials exceeded the total annual production capacity of the Maitland plant.

Import, Export and Industrial Products

Through its recently acquired Indussa operations, the Company is engaged in the importing of steel and lead, zinc and other non-ferrous metals for sale to fabricators and distributors in the United States and eastern Canada and in the exporting of industrial products. Sales offices are located in New York, Washington, Chicago, Houston, Los Angeles and San Francisco in the United States and in Montreal and Toronto in Canada.

During 1967, the Indussa operations imported into the United States and Canada from world suppliers approximately 300,000 tons of steel consisting of reinforcing bars, light structurals and a wide variety of hot and cold rolled mill products. These operations, which are of a trading nature with a low profit margin, accounted for most of the increase in the Company's 1967 consolidated sales.

The Company also acts as a manufacturers' agent in the north shore mining area of the St. Lawrence River, supplying industrial rubber goods to the mining industry through warehouse facilities which are owned at Sept Isles and Wabush. Through its Neelon Steel operations the Company manufactures cast steel grinding balls at its foundry in Sudbury for sale to the mining and cement industries in Canada and the United States. Such warehouse facilities and foundry are adequate to meet foreseeable requirements.

PULP AND PAPER

The Company owns 302,305 shares or 13.6% of the outstanding common shares of Fraser Companies, Limited which is engaged in the manufacture of sulphite and specialty papers, chemical wood pulps, groundwood pulp, paperboard and lumber products at plants located at Edmundston, Newcastle and Atholville, New Brunswick and at Madawaska, Maine. Its production in 1967 of approximately 355,000 tons of pulp, paper and paperboard products was sold in more than 20 countries throughout the world resulting in gross revenues of approximately \$71,000,000. During the last three years over \$46,000,000 has been spent for the expansion and modernization of its plants and properties. The Company has given consideration to offers received for its interest in Fraser Companies, Limited, none of which have been acceptable.

The Company owns approximately a 20% equity interest in Rothesay Paper Corporation, which completed construction of a newsprint mill at Saint John, New Brunswick, in late 1964. The mill comprises a single, high speed newsprint machine which during 1967 attained an operating level equal to 90% of its designed capacity resulting in the sale of 146,000 tons of newsprint. A large part of the newsprint production is sold under long-term contracts to various customers in the United States and West Germany.

REAL ESTATE

The Company, through a wholly-owned subsidiary, owns 450 acres of undeveloped land on the south shore of the St. Lawrence River opposite Montreal. The Company has an undivided one-third interest in a 600-unit apartment building complex known as the "Royal Dixie" located in suburban Montreal and also has a minority interest in Candiatic Development Corporation, which is developing a residential, industrial and commercial complex on the south shore of the St. Lawrence River opposite Montreal.

OTHER INVESTMENTS

In addition to the investments described above, the Company has certain other investments including investments related to its operating divisions and over \$5,500,000 principal amount of 6¾% Secured Debentures of Consumers Glass Company Limited due in annual instalments to 1973 being part of the price on the sale of the Company's Iroquois Glass Division.

PROPERTY

The physical property of the Company and its subsidiaries consists of land, buildings, machinery and equipment which as at December 31, 1967 had a consolidated net book value of \$69,739,000. The following table shows the net book value of such properties after deducting accumulated depreciation as at December 31, 1967, according to the major areas of the Company's operations.

	<u>Cost (1)</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value (2)</u>
Cement	\$45,230,000	\$7,882,000	\$37,348,000
Industrial chemicals, fertilizer materials and mixed fertilizers	35,145,000	4,078,000	31,067,000
Import, export and industrial products	1,518,000	286,000	1,232,000
Other	146,000	54,000	92,000
	<u>\$82,039,000</u>	<u>\$12,300,000</u>	<u>\$69,739,000</u>

- (1) The properties of the Company and its subsidiaries are carried on their accounts at cost, except that an amount has been included which represents the difference between the cost of the Company's investments in the new subsidiaries which were created upon the amalgamation by acquisition in 1965 and the stated value of the net tangible assets represented by those investments, after giving effect to subsequent disposals (See Note 6 on page 21).
- (2) Includes \$1,113,000 net book value of fixed assets owned by subsidiaries.

The principal properties of the Company and its subsidiaries are as follows:

<u>Location</u>	<u>Description</u>	<u>Interest in Property</u>
Inland Cement Division		
Edmonton, Alberta	Cement plant	Freehold
Regina, Saskatchewan	Cement plant	Freehold
Winnipeg, Manitoba	Cement plant	Freehold
Cadomin, Alberta	Quarry	Freehold
Mafeking, Manitoba	Quarry	Freehold
Calgary, Alberta	Distribution centre	Freehold
Saskatoon, Saskatchewan	Distribution centre	Freehold
Port Arthur, Ontario	Distribution centre	Freehold
Brockville Chemical Division		
Maitland, Ontario	Chemical plant	Freehold
Chatham, Ontario		Freehold
Welland, Ontario		Freehold
Toronto, Ontario		Leasehold
Cornwall, Ontario*		Leasehold
Montreal, Quebec		Freehold
Ste. Foy, Quebec	Mixed	Freehold
Saint John, N.B.	Fertilizer	Leasehold
Saint John, N.B.*	Plants	Leasehold
Summerside, P.E.I.		Freehold
Windsor, N.S.		Freehold
Presqu'Isle, Maine*		Freehold
Caribou, Maine*		Freehold
Industrial Products Operations		
Sudbury, Ontario	Grinding ball foundry	Freehold
Sept Isles, Quebec	Warehouse	Freehold

* Properties owned or leased by subsidiaries; all other properties being owned or leased by the Company.

The annual lease rental for production facilities of the Company and its subsidiaries aggregates \$29,000. In addition to the above principal properties, the Company and its subsidiaries lease sales and administrative offices in the United States and Canada for an aggregate annual rental of \$192,000.

PRINCIPAL SHAREHOLDERS

As at March 31, 1968 the number of Common Shares of the Company owned of record or beneficially, directly or indirectly, by each person or company who owns of record, or is known by the Company to own beneficially, directly or indirectly, more than 10% of the Common Shares of the Company are as follows:

Name and Address	Type of ownership	Number of Common Shares owned	Percentage of outstanding Common Shares
Société Générale de Belgique, 3 Montagne du Parc, Brussels, Belgium	Of record and beneficially (1)	551,775 shs. (1)	11.33% (1) *

(1) Including 150,000 Common Shares or 3.08% of the outstanding Common Shares of the Company owned beneficially and as of record by Société d'Entreprise et d'Investissements du Bécéka (Sibeka), a subsidiary of Société Générale de Belgique, and deemed to be beneficially owned by Société Générale de Belgique.

Société Générale de Belgique, incorporated in Brussels, Belgium in 1822, is a major developer of industry in Europe and other parts of the world and has substantial interests in chemical and cement industries.

As at March 31, 1968 the directors and senior officers of the Company as a group beneficially owned, directly or indirectly, 15,303 Common Shares or 0.31% of the outstanding Common Shares of the Company.

MANAGEMENT

Directors and Officers

The names and home addresses in full of the directors and officers of the Company, the positions and offices held by each and their principal occupations are as follows:

<u>Name and Home Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Edward Cabell Wood, 3940 Cote des Neiges Road, Montreal, Quebec.	Chairman of the Board . . . and Director	Director of a Canadian chartered bank and other companies.
Edgar Van der Straeten, 6B rue du Châtelain, Brussels, Belgium.	Vice-Chairman of the Board and Director	Honorary Vice-Governor of Société Générale de Belgique.
August Albert Franck, 1455 Sherbrooke Street West, Montreal, Quebec.	President and Director . . .	President of the Company.
Charles de Bar, 57 Route Gouvernementale, Brussels, Belgium.	Executive Vice-President . . and Director	Executive Vice-President of the Company.

<u>Name and Home Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Henry Blaise, 28 Avenue de l'Horizon, Brussels, Belgium.	Director	Advisor of Société Générale des Minerais Société Anonyme.
Francis Campbell Cope, Q.C., 13 Northcote Road, Hampstead, Quebec.	Director	Partner of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault.
Walter Leslie Forster, C.B.E., 61 Summit Crescent, Westmount, Quebec.	Director	Consultant.
Serge Lambert, 23 Avenue du Manoir, Brussels, Belgium.	Director	Vice-Governor of Société Générale de Belgique.
William Earle McLaughlin, 67 Sunnyside Avenue, Westmount, Quebec.	Director	Chairman and President of a Canadian chartered bank.
Max Nokin, 345 Chaussée de Malines, Crainhem, Belgium.	Director	Governor of Société Générale de Belgique.
Charles C. Notebaert, 130 East End Avenue, New York, New York.	Director	President of African Metals Corporation.
Hon. Jean Raymond, Q.C., 1321 Sherbrooke Street West, Montreal, Quebec.	Director	President of Alphonse Raymond Limitée.
André de Spirlet, 2 Avenue du Brésil, Brussels, Belgium.	Director	Chairman of Compagnie Maritime Belge (Lloyd Royal) Société Anonyme.
Corneille Alfred Vandendries, 4300 Boulevard de Maisonneuve, Westmount, Quebec.	Director	President of Brockville Chemical Industries Limited, a division of the Company.
William Smith Ziegler, 13834 Ravine Drive, Edmonton, Alberta.	Director	President of Inland Cement Industries Limited, a division of the Company.
Bernard Thomas Johnson, 328 Roslyn Avenue, Westmount, Quebec.	Vice-President	Vice-President of the Company.
Angus Athole MacNaughton, 4334 Montrose Avenue, Westmount, Quebec.	Vice-President	Vice-President of the Company.
Lawrence Roy Sinclair, 159 Sommerhill Street, Dollard-des-Ormeaux, Quebec.	Treasurer	Treasurer of the Company.
William Watson Tinmouth, 185 Bedbrook Avenue, Montreal West, Quebec.	Secretary	Secretary of the Company.

All the directors and officers have held their present principal occupations for the past five years except as follows:

Mr. Edward C. Wood was President of Imperial Tobacco Company of Canada Limited until April, 1963 and its Chairman until December, 1964 and thereafter was a consultant. In April, 1966 Mr. Wood was appointed Chairman of the Board of the Company. Mr. E. Van der Straeten was a Vice-Governor of Société Générale de Belgique until November, 1964 when he became an Honorary Vice-Governor of that company. Mr. A. A. Franck was President of Indussa Corporation of New York until April, 1967 and was appointed President of the Company in April, 1964. Mr. C. de Bar was a Vice-President of the Company until February, 1966 when he was appointed Executive Vice-President. Mr. W. L. Forster was President of the Company until April, 1964. Dr. C. A. Vandendries was President of Brockville Chemicals Limited until November, 1965 when he became President of Brockville Chemical Industries Limited. Mr. W. S. Ziegler was President of Inland Cement Company Limited until November, 1965 when he became President of Inland Cement Industries Limited. Mr. B. T. Johnson was Vice-President of Brockville Chemicals Limited until November, 1965 and thereafter of Brockville Chemical Industries Limited until February, 1966 when he was appointed a Vice-President of the Company. Mr. A. A. MacNaughton was Treasurer of the Company until July, 1965 and was appointed a Vice-President of the Company in September, 1964. Mr. L. R. Sinclair was Controller of Inland Cement Company Limited until October, 1964 and thereafter was its Secretary-Treasurer until July, 1965 when he was appointed Treasurer of the Company. Mr. W. W. Tinmouth was solicitor with Zeller's Limited until July, 1965 when he was appointed Secretary of the Company. Mr. F. C. Cope, Q.C., has been a partner of the legal firm of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, or its predecessor firms for the last five years.

Remuneration

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company for the fiscal year ended December 31, 1967 was \$447,379 and for the three months ended March 31, 1968 was approximately \$91,000.

Pension Benefits

The estimated cost to the Company and its subsidiaries in the fiscal year ended December 31, 1967 of all pension benefits proposed to be paid in the aggregate to the directors and senior officers of the Company under their normal pension plans in the event of retirement at normal retirement age, directly or indirectly, was \$18,830.

Other Benefits

The estimated aggregate amount of all remuneration payments (other than payments of the types referred to under the headings "Remuneration" and "Pension Benefits") proposed to be paid in the future, directly or indirectly, by the Company or any subsidiary pursuant to existing arrangements to directors and senior officers of the Company as a group is \$101,666.

Interests of Management and Others

Mr. A. A. Franck, a director and senior officer of the Company, was Chairman of the Board and a director of Industrial Sales (1961) Limited, and was President and a director of Indussa (Canada) Limited at the time of their acquisition in 1966, and was President and a director of Indussa Corporation at the time it became a subsidiary of the Company; Mr. H. Blaise, a director of the Company, has been Chairman of the Board and a director of Indussa Corporation since March, 1965 prior to which time he was its Vice-Chairman and a director; Mr. W. L. Forster, a director of the Company, is Chairman of the Board and a director of McAllister Towing Ltd.; Mr. A. de Spirlet, a director of the Company, is Chairman of the Board and a director of Compagnie Maritime Belge

(Lloyd Royal) Société Anonyme; Mr. A. A. MacNaughton, a senior officer of the Company, is a Vice-President of McAllister Towing Ltd.; and Messrs. L. R. Sinclair and W. W. Tinmouth, senior officers of the Company, have been the Treasurer and a director and the Secretary and a director, respectively, of Neelon Steel Limited since August, 1965.

In addition, Dr. C. A. Vandendries and Messrs. W. L. Forster, W. S. Ziegler, B. T. Johnson and F. C. Cope, Q.C., directors and/or senior officers of the Company, have been directors and/or senior officers of one or more of Brockville Chemical Industries Limited, Inland Cement Industries Limited and Iroquois Glass Industries Limited (now Sogemines Glass Industries Limited) since their formation in 1965 and the said persons and Mr. L. R. Sinclair were directors and/or senior officers of one or more of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited at the time of the consolidation referred to under the heading "Organization and Development" on page 7. Dr. C. A. Vandendries and Messrs. W. S. Ziegler, F. C. Cope, Q.C., W. L. Forster, M. Nokin, J. Raymond, Q.C., A. A. MacNaughton and L. R. Sinclair as well as the Company were shareholders of Brockville Chemicals Limited, Inland Cement Company Limited and/or Iroquois Glass Limited at the time of the aforesaid consolidation. As a part of such consolidation proceedings a total of 3,465,505 of the Common Shares of the Company were received by Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited. These Common Shares were distributed to the shareholders of the latter three companies with the result that the Company received 806,151 of such Common Shares and the above named individual shareholders received in the aggregate approximately 7,530 of such Common Shares.

Except for 5,145 Common Shares of the Company owned by one of its partners, neither Messrs. Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Counsel for the Company, nor any partner therein, beneficially owns, directly or indirectly, any securities of the Company.

Options

Under the Company's Share Option Plan, a total of 150,000 Common Shares in the capital of the Company have been reserved for issuance upon the exercise of stock options granted or to be granted to employees, including directors holding salaried employment or office, at a price per share which is not less than 90% of the last recorded sale of shares on the last day of trading preceding the date the option is granted. All options expire on March 31, 1975. As at March 31, 1968 options to purchase 102,000 Common Shares had been granted, of which options for 16,950 Common Shares had been exercised leaving 85,050 Common Shares then under option as follows:

Options held by	Common Shares under option	Exercise price	Date of granting	Price of Common Shares at date of granting
Directors and senior officers of the Company	26,900 shs.	\$11.50	Nov. 17, 1965	\$12.75
	18,100	10.00	Nov. 10, 1966	11.00
	19,500	12.25	Dec. 26, 1967	13.50
Senior officers of subsidiaries	2,150 shs.	\$11.50	Nov. 17, 1965	\$12.75
	4,700	10.00	Nov. 10, 1966	11.00
	7,500	12.25	Dec. 26, 1967	13.50
Others ⁽¹⁾	4,000 shs.	\$11.50	Nov. 17, 1965	\$12.75
	2,200	10.00	Nov. 10, 1966	11.00

(1) Options held by Messrs. Pierre Andry and David Lindsay, who were formerly Executive Vice-President and Vice-President respectively of Iroquois Glass Industries Limited.

The 85,050 Common Shares presently under option are exercisable as to 34,650 Common Shares immediately, 17,050 Common Shares on or after December 1, 1968, 17,050 Common Shares on or after December 1, 1969, 10,900 Common Shares on or after December 1, 1970 and 5,400 Common Shares on or after December 1, 1971. As at April 2, 1968, the closing market price on the Montreal Stock Exchange of the Common Shares of the Company was \$13.75 per share.

CAPITALIZATION

Designation of securities	Authorized or to be authorized	Outstanding at December 31, 1967	Outstanding at March 31, 1968	Amount to be outstanding at March 31, 1968 after giving effect to Offer (5)
First Mortgage Sinking Fund Bonds:.....	(1)			
5 $\frac{7}{8}$ % Series A due 1984.....	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
6 $\frac{3}{4}$ % Series B due 1975.....	5,520,000	4,889,000	4,560,000	4,560,000
6 $\frac{3}{4}$ % Series C due 1980.....	4,500,000	3,750,000	3,738,000	3,738,000
Other long-term debt:				
5 $\frac{3}{4}$ % Bank Loan payable in annual instalments to 1972.....	3,500,000	2,500,000	2,000,000	2,000,000
6% Note payable in annual instalments to 1972.....	1,500,000	937,500	937,500	937,500
5.29% Note payable in annual instalments to 1970.....	1,200,000	720,000	720,000	720,000
5% Note of a subsidiary payable in annual instalments to 1971 (2).....	5,200,000	5,200,000	5,200,000	5,200,000
6% Note of a subsidiary due 1979 (2).....	515,000	515,000	515,000	515,000
6% First Mortgage Note of a subsidiary payable in monthly instalments to 1975 (2).....	400,000 U.S.	—	307,000 U.S.	307,000 U.S.
Capital Stock:				
Common Shares without nominal or par value (3) (4).....	8,000,000 shs.	4,868,610 shs.	4,868,610 shs.	(6)

- (1) First Mortgage Bonds may be issued without limitation in amount but subject to the restrictions contained in the Trust Deed securing the First Mortgage Bonds. The outstanding First Mortgage Bonds are secured by a specific charge on the real and immoveable properties and rights of the Company and a floating charge on the remaining property and assets of the Company. Reference is made to the heading "Proposed Financing" on this page 16.
- (2) The 5% Note of a subsidiary payable in annual instalments to 1971 is secured by a pledge of certain securities owned by it having a market value at December 31, 1967 of \$5,800,000 and is guaranteed as to principal and interest by the Company. The 6% Note of a subsidiary due 1979 is guaranteed as to principal and interest by the Company. The 6% First Mortgage Note of a subsidiary payable in monthly instalments to 1975 is secured by a specific charge on the assets of such subsidiary. The long term debt of subsidiaries ranks ahead of the First Mortgage Bonds of the Company with respect to the assets of such subsidiaries.
- (3) The Common Shares outstanding are shown after deducting the 806,151 Common Shares which were received by the Company as a result of its shareholdings in the companies which were consolidated with it in 1965.
- (4) 133,050 Common Shares are reserved for the exercise of employee share options granted or to be granted, particulars of which are set forth on page 15. The Company proposes to issue approximately 6,100 Common Shares in connection with the acquisition of the shares of J. Kearns Transport Ltd. and 7,000 Common Shares in exchange for 40,000 common shares of Lynbar Mining Corporation Limited, representing a small minority interest in the latter company.
- (5) The indebtedness of McAllister and its subsidiaries is not included.
- (6) The number of Common Shares of the Company to be outstanding after giving effect to the Offer cannot at present be determined. The acceptance of the Offer by all shareholders of McAllister (other than the Company) would result in the issue by the Company of an additional 731,250 of its Common Shares, based on the issued and outstanding shares of McAllister as at the date of the Offer.

PROPOSED FINANCING

The Company is proposing to issue an additional series of its First Mortgage Bonds with Share Purchase Warrants, the amount and attributes of which are yet to be determined. The net proceeds of such issue, if, as and when issued, will be used to repay consolidated bank advances and acceptances and the balance of such proceeds, if any, will be added to the working capital of the Company.

MATERIAL CONTRACTS

Particulars regarding every material contract, in addition to the Offer, entered into by the Company and its subsidiaries within the two years preceding the date hereof, other than in the ordinary course of business, are as follows:

- (i) Agreement dated August 1, 1966 between Neelon Steel Limited and the Company pursuant to which the Company acquired the assets of Neelon Steel Limited for a price of \$1,312,927;
- (ii) Agreement dated March 30, 1967 between Consumers Glass Company Limited and the Company pursuant to which the Company sold the assets and operations which comprised its Iroquois Glass Division for \$5,000,000 in cash and \$4,926,000 principal amount of 6 $\frac{3}{4}$ %

Secured Debentures and a further principal amount of such Debentures to reflect ultimate values of inventories and accounts receivable sold;

- (iii) Offer dated March 1, 1967 made to the shareholders of Indussa Corporation to acquire all the outstanding shares of Indussa Corporation on a share exchange basis of 12 Common Shares of the Company for each \$100 par value share of Indussa Corporation which was accepted by all shareholders of Indussa Corporation resulting in the issuance of 125,256 Common Shares of the Company;
- (iv) Agreement made as of April 19, 1967 between Canada Packers Limited and the Company pursuant to which the Company purchased from Canada Packers Limited the latter's fertilizer operations in eastern Canada for a price of \$16,331,000;
- (v) Agreement made as of April 19, 1967 between Canada Packers Limited and the Company pursuant to which the Company purchased from Canada Packers Limited all of the outstanding shares of Shur-Gain, Inc. (now Brockville Chemical Inc.) for a price of \$500,000;
- (vi) Agreement dated July 21, 1967 between Frank J. Adby, Lorna Adby and the Company pursuant to which the Company purchased all of the outstanding shares of Adby Construction & Transport Co. Ltd. for a price of \$709,535;
- (vii) Agreement dated October 23, 1967 between Albatros Superfosfaatfabrieken N.V. and the Company pursuant to which the Company acquired on January 16, 1968 from Albatros Superfosfaatfabrieken N.V. all the outstanding shares of International Fertilizers Limited and Albatros Fertilizers, Inc. for a price of \$1,195,000;
- (viii) The Agreements which are referred to under the heading "Arrangements between the Company and Major Shareholders of McAllister" on page 18; and
- (ix) Agreement dated as of April 15, 1968, between the Company, Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada, by which Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada have agreed to form a Soliciting Dealer Group to procure acceptances of the Offer from Canadian shareholders of McAllister and the Company has covenanted to pay (a) to Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada a management fee of \$15,000, and (b) to the Soliciting Dealer Group, in respect of acceptances procured through its members, a fee of 12¢ per share of McAllister exchanged, subject to a minimum fee of \$12 in respect of any single owner of shares of McAllister.

Copies of such agreements may be inspected during ordinary business hours at the head office of the Company during the Offering Time.

The Company has entered into other agreements for the purchase or acquisition of property, shares or assets, none of which agreements individually involves a commitment of more than \$350,000 on the part of the Company nor is considered to be material.

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company at its principal offices in Montreal, Toronto, Winnipeg and Edmonton is the Registrar for the First Mortgage Bonds, Series A to C inclusive, of the Company.

Montreal Trust Company at its principal offices in Saint John, Montreal, Toronto, Edmonton and Vancouver is the Registrar and Transfer Agent for the Common Shares of the Company.

AUDITORS

The auditors of the Company are McDonald, Currie & Co., Chartered Accountants, 630 Dorchester Boulevard West, Montreal, Quebec.

SHAREHOLDERS OF McALLISTER

No securities of McAllister are beneficially owned, directly or indirectly, by the Company or an associate of the Company, other than 187,500 shares of McAllister owned by the Company.

No securities of McAllister are beneficially owned, directly or indirectly, by directors or senior officers of the Company or their associates other than:

<u>Name</u>	<u>Position</u>	<u>Number and Designation of Securities</u>
A. A. Franck	Director and President	100 shares
A. A. MacNaughton	Vice-President	2,500 shares ⁽¹⁾
B. T. Johnson	Vice-President	300 shares
F. C. Cope, Q.C.	Director	500 shares
W. L. Forster	Director	1,000 shares ⁽²⁾

(1) 1,500 of these shares are owned by associates.

(2) These shares are owned by an associate.

The directors and senior officers of the Company have no knowledge of any person or company who beneficially owns, directly or indirectly, equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company for the time being outstanding and who beneficially owns directly or indirectly any securities of McAllister.

TRADING IN EQUITY SHARES OF McALLISTER

The directors or senior officers of the Company have no knowledge of any equity shares of McAllister traded by the Company, an associate of the Company, a director and a senior officer of the Company and their associates or by a person or company who beneficially owns, directly or indirectly, equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company for the time being outstanding, during the six-month period preceding the date of the Offer except that senior officers of the Company sold 400 shares of McAllister on October 25, 1967 and 100 shares of McAllister on October 27, 1967, both sales being for a price of \$11½ per share, and purchased 300 shares of McAllister on February 8, 1968 for a price of \$9⅜ per share.

ARRANGEMENTS BETWEEN THE COMPANY AND MAJOR SHAREHOLDERS OF McALLISTER

The Company has signed an Agreement of Intent dated September 29, 1967 with McAllister Brothers Inc. of New York and has reached an agreement in principle with Compagnie Maritime Belge (Lloyd Royal) Société Anonyme of Brussels, Belgium, which own 37.5% and 18.75% of the outstanding shares of McAllister, respectively, to make a share exchange offer on the basis set forth in the Offer. The Agreement of Intent with McAllister Brothers Inc. provides that (i) recommendation will be made to the shareholders of the Company to receive a nominee of McAllister Brothers Inc. on the Board of Directors of the Company for so long as McAllister Brothers Inc. holds, either directly or indirectly, not less than 200,000 Common Shares of the Company, and (ii) the representatives of the Company and McAllister Brothers Inc. on the Board of McAllister will vote at a meeting of the Board of Directors of McAllister for the payment of a dividend of 30¢ per share prior to the Company becoming the owner of the shares of McAllister.

By Agreement dated October 28, 1964, the Company and Compagnie Maritime Belge (Lloyd Royal) Société Anonyme (the Belgian Group) and McAllister Brothers Inc. agreed, inter alia, that the Belgian Group and McAllister Brothers Inc. would act in concert for the purpose of electing the directors of McAllister and for the purpose of authorizing certain other corporate matters of McAllister. Certain rights of first refusal with respect to the shares of McAllister held by the said parties were also granted pursuant to the terms of this Agreement. This Agreement provides, in effect, that notice of termination may be given by the Belgian Group in the event that McAllister Brothers Inc. no longer owns or controls 65% of its present shareholdings of McAllister.

DIRECTORS' APPROVAL

At a meeting of the Board of Directors of the Company held on March 20, 1968, the contents of this circular were approved and its delivery authorized.

SOGEMINES LIMITED
and subsidiary companies (Note 1)

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at December 31, 1967

The Pro Forma Consolidated Balance Sheet gives effect to the transactions set out in Note 2 on page 21.

Assets		
Current Assets	Actual	Pro Forma
Accounts and notes receivable.....	\$ 23,747,857	\$ 26,864,318
Inventories (Note 3).....	10,871,601	13,532,867
Prepaid expenses.....	331,518	407,707
	<u>34,950,976</u>	<u>40,804,892</u>
Special Refundable Income Tax.....	<u>333,000</u>	<u>340,455</u>
Investments		
Marketable securities—at cost		
(quoted value—\$8,690,179) (Note 4).....	9,757,352	9,757,352
Other securities—at cost.....	16,693,894	17,754,651
Participations in real estate (Note 5).....	1,639,134	1,639,134
Deposit of purchase price of shares (Note 2)....	1,195,000	—
	<u>29,285,380</u>	<u>29,151,137</u>
Fixed Assets		
Land, buildings, machinery and equipment (Note 6)....	82,039,206	85,578,588
Accumulated depreciation.....	12,300,401	14,780,151
	<u>69,738,805</u>	<u>70,798,437</u>
	<u><u>\$134,308,161</u></u>	<u><u>\$141,094,921</u></u>
Liabilities		
Current Liabilities		
Bank advances and acceptances.....	\$ 13,195,493	\$ 17,139,777
Accounts payable and accrued liabilities.....	13,576,011	16,077,721
Advances from associated companies.....	2,060,631	2,060,631
Dividend payable.....	3,261,012	3,261,012
	<u>32,093,147</u>	<u>38,539,141</u>
Long-Term Debt (Note 7).....	<u>23,053,987</u>	<u>23,394,753</u>
	<u><u>55,147,134</u></u>	<u><u>61,933,894</u></u>
Shareholders' Equity		
Capital Stock (Notes 8, 9, 10 and 11)		
Authorized—8,000,000 common shares		
without nominal or par value		
Issued and fully paid—4,868,610 shares.....	62,718,337	62,718,337
Contributed Surplus (Note 12).....	5,855,917	5,855,917
Retained Earnings.....	10,586,773	10,586,773
	<u>79,161,027</u>	<u>79,161,027</u>
	<u><u>\$134,308,161</u></u>	<u><u>\$141,094,921</u></u>

The notes on pages 21 to 23 inclusive form an integral part of the above Consolidated Balance Sheets and should be read in conjunction therewith.

Approved on behalf of the board:

(Sgd.) Edward C. Wood, Director.

(Sgd.) A. A. Franck, Director.

SOGEMINES LIMITED
and subsidiary companies (Note 1)

Combined and Consolidated Statements of Earnings and Retained Earnings
for the Five Years ended December 31, 1967

(in thousands of dollars)

	1963	1964	1965	1966	1967
Sales (Note 15).....	\$28,872	\$30,785	\$37,198	\$45,287	\$88,038
Income from investments.....	978	692	755	657	910
	<u>29,850</u>	<u>31,477</u>	<u>37,953</u>	<u>45,944</u>	<u>88,948</u>
Cost of sales, including selling, general and administrative expenses.....	21,740	23,145	28,551	35,132	77,930
	<u>8,110</u>	<u>8,332</u>	<u>9,402</u>	<u>10,812</u>	<u>11,018</u>
Interest on long-term debt.....	1,231	1,288	1,275	1,215	1,246
Depreciation.....	3,366	3,650	3,753	4,323	4,387
Amortization of deferred expenditures.....	108	108	—	—	—
	<u>4,705</u>	<u>5,046</u>	<u>5,028</u>	<u>5,538</u>	<u>5,633</u>
Net earnings before income taxes.....	3,405	3,286	4,374	5,274	5,385
Income taxes (Note 13).....	1,168	7	—	2	164
Net earnings for the year (Note 13).....	<u>\$ 2,237</u>	<u>\$ 3,279</u>	<u>\$ 4,374</u>	<u>\$ 5,272</u>	<u>\$ 5,221</u>
Retained earnings at beginning of year.....	\$ 6,487	\$ 7,469	\$10,003	\$ 5,468	\$ 8,126
Net earnings for the year.....	2,237	3,279	4,374	5,272	5,221
Net gain (loss) on sale of investments.....	(258)	249	—	441	—
Net gain on sale of assets and operations of the Iroquois Glass Division.....	—	—	—	—	1,825
	<u>8,466</u>	<u>10,997</u>	<u>14,377</u>	<u>11,181</u>	<u>15,172</u>
Dividends—preferred shares.....	774	774	—	—	—
—common shares.....	69	69	2,821	3,055	3,165
Amalgamation and financing expenses.....	—	—	499	—	—
Mining, exploration and development expenses.	154	151	—	—	—
Non-recurring costs and expenses of mixed fertilizer operation (Note 14)	—	—	—	—	1,420
Pre-production and organization expenses.....	—	—	103	—	—
Distribution to shareholders of amalgamated companies (Note 1).....	—	—	5,486	—	—
	<u>997</u>	<u>994</u>	<u>8,909</u>	<u>3,055</u>	<u>4,585</u>
Retained earnings at end of year.....	<u>\$ 7,469</u>	<u>\$10,003</u>	<u>\$ 5,468</u>	<u>\$ 8,126</u>	<u>\$10,587</u>

The notes on pages 21 to 23 inclusive form an integral part of the above Combined and Consolidated Statements of Earnings and Retained Earnings and should be read in conjunction therewith.

SOGEMINES LIMITED

and subsidiary companies

Notes to the Financial Statements

1. Principles of Consolidation

The financial statements include the accounts of all companies which were subsidiaries as at December 31, 1967, except that the accounts of one company in which a 50% interest is held were considered insignificant and have not been included. The accounts of subsidiaries acquired since December 31, 1967 have been included in the pro forma consolidated balance sheet only.

The combined and consolidated statements of earnings and retained earnings include, on a combined basis, the results of the operations of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited for the period from January 1, 1963 to the effective dates of their amalgamation (by acquisition by Sogemines Limited in 1965) with those of Sogemines Limited. The results of the operations of the subsidiary companies and of the mixed fertilizer operation acquired in 1967 are included from the dates of their acquisition.

A result of the amalgamation by acquisition referred to above was that \$5,486,000 of the retained earnings of the three companies whose operations were acquired was distributed to their shareholders other than Sogemines Limited in the form of common shares of Sogemines Limited (Note 9). This amount has been deducted from the combined retained earnings in 1965.

2. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect as at December 31, 1967 to the acquisition of all of the outstanding shares of certain companies, including International Fertilizers Limited and Albatros Fertilizers, Inc., since December 31, 1967 for an aggregate cash consideration of \$1,524,665 (including \$1,195,000 shown on the consolidated balance sheet as deposit of purchase price of shares) and the consolidation of their accounts with those of Sogemines Limited. It does not give effect to the acquisition of any shares of McAllister Towing Ltd., which may be acquired as a result of the Offer set forth on pages 3 and 4.

3. Inventories

Inventories have been valued at the lower of cost and either replacement cost or net realizable value and are classified as follows:

	Actual	Pro forma
Finished goods and work in process.....	\$ 5,685,296	\$ 6,597,637
Raw materials and manufacturing supplies.....	3,424,390	5,138,735
Maintenance and repair parts.....	1,761,915	1,796,495
	<u>\$10,871,601</u>	<u>\$13,532,867</u>

4. Marketable Securities

Securities having a market value of \$5,800,000 are pledged as security for a 5% note payable in the amount of \$5,200,000.

5. Participations in Real Estate

Participations in real estate are valued at cost except for one where provision has been made for profits or losses and withdrawals.

6. Fixed Assets

Fixed assets are stated at cost except that an amount has been included which represents the difference between the cost of the investments of Sogemines Limited in the new subsidiaries which were created upon the amalgamation by acquisition in 1965 and the stated value of the net tangible assets represented by those investments, after giving effect to subsequent disposals.

The fixed assets are divided between depreciable and non-depreciable properties as follows:

	Actual	Pro forma
Land.....	\$ 956,638	\$ 1,133,525
Buildings, machinery and equipment (Note 13).....	81,082,568	84,445,063
Less: Accumulated depreciation.....	<u>12,300,401</u>	<u>14,780,151</u>
	68,782,167	69,664,912
	<u>\$69,738,805</u>	<u>\$70,798,437</u>

7. Long-Term Debt

First Mortgage Sinking Fund Bonds

	Actual	Pro forma
5 $\frac{7}{8}$ % Series A due 1984.....	\$ 4,500,000	\$ 4,500,000
6 $\frac{3}{4}$ % Series B due 1975.....	4,889,000	4,889,000
6 $\frac{3}{4}$ % Series C due 1980.....	3,750,000	3,750,000
5 $\frac{3}{4}$ % bank loan payable in annual instalments to 1972.....	2,500,000	2,500,000
6% note payable in annual instalments to 1972.....	937,500	937,500
5.29% note payable in annual instalments to 1970.....	720,000	720,000
5% note of a subsidiary payable in annual instalments to 1971 (Note 4)	5,200,000	5,200,000
6% note of a subsidiary due 1979 (\$515,000 U.S.).....	557,487	557,487
6% First Mortgage Note of a subsidiary due 1975 (\$315,500 U.S.)....	—	340,766
	<u>\$23,053,987</u>	<u>\$23,394,753</u>

Payments required in the next five years to meet debt instalments and sinking fund provisions are as follows:

Year ended December 31

	Actual	Pro forma
1968.....	\$ 2,837,500	\$2,875,646
1969.....	3,062,500	3,103,000
1970.....	3,302,500	3,345,497
1971.....	3,062,500	3,108,148
1972.....	1,762,500	1,810,963

8. Capital Stock

During 1967, 125,256 common shares were issued at \$15 per share in exchange for all outstanding shares of Indussa Corporation, 16,950 common shares were issued to employees under the terms of the share option plan referred to below for a total consideration of \$191,175 and 25,000 common shares were issued for cash at \$13.50 per share.

Shares issued and fully paid are shown after deducting the 806,151 common shares, at their issue price of \$15 per share, which were received by Sogemines Limited as a result of its shareholdings in the companies with which it amalgamated by acquisition in 1965.

Acceptance of the Offer by all shareholders of McAllister Towing Ltd. (other than the Company) would result in the issue by the Company of an additional 731,250 of its common shares based on the issued and outstanding shares of McAllister Towing Ltd. as at the date of the Offer.

Reference is also made to Note 18 for details of additional shares of Sogemines Limited which may be issued.

9. Shares Issued for a Consideration Other Than Cash

During the five year period, the following common shares of Sogemines Limited were issued for a consideration other than cash:

1965—Issued in accordance with the agreement authorizing the amalgamation by acquisition of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited with Sogemines Limited:—3,465,505 common shares for a total value of \$51,982,582 (see Note 8);

1967—Issued in exchange for all of the outstanding shares of Indussa Corporation on the basis of 12 common shares of Sogemines Limited for each outstanding share of Indussa Corporation:—125,256 common shares for a total value of \$1,878,840.

10. Share Options

Sogemines Limited has reserved 150,000 of its common shares for a share option plan for its employees. Options are granted at a price which is not less than 90% of the last recorded sale of shares at the date of granting and expire not later than March 31, 1975. To date, options to purchase 70,500 common shares have been granted to employees who were either officers or directors and options to purchase 31,500 common shares have been granted to other employees. Of these common shares, 16,950 have been issued. Reference is made to the heading "Options" on page 15.

11. Dividend Restrictions

Sogemines Limited may not pay any cash dividends unless it complies with certain covenants contained in the Trust Deed for the First Mortgage Bonds.

12. Contributed Surplus

Combined contributed surplus arising from the issue of par value stock at a premium amounted to \$11,629,177 at January 1, 1963. As a result of the amalgamation by acquisition in 1965 referred to in Note 1 this amount was reduced to \$5,855,917 by a distribution in the form of common shares of Sogemines Limited to the shareholders of Inland Cement Company Limited, amalgamated by acquisition in that year.

13. Income Taxes

The combined and consolidated statements of earnings and retained earnings for the five years ended December 31, 1967 reflect the reduction in or elimination of income taxes by claiming capital cost allowances in excess of depreciation recorded in the accounts and, in certain years, claiming for income tax purposes mining exploration and development expenses which were deferred in the accounts.

Had the deferred method of accounting for income taxes been applied throughout the five years in respect of excess capital cost allowances claimed and deferred mining exploration and development expenses, the provisions for income taxes and combined and consolidated net earnings would have been approximately as follows:

Year	Provision for income taxes	Net earnings
1963.....	\$1,565,000	\$1,840,000
1964.....	1,063,000	2,223,000
1965.....	1,868,000	2,506,000
1966.....	2,181,000	3,093,000
1967.....	1,770,000	3,615,000

Of the net book value of depreciable assets at December 31, 1967, approximately \$12,028,000 has been used as capital cost allowances to defer taxes. This amount, together with an additional \$14,659,000, will not be available to reduce taxable profits in future years.

14. Non-Recurring Costs and Expenses of the Mixed Fertilizer Operation

The acquisition of the mixed fertilizer operation in 1967 was after the close of the principal selling season and as a result certain costs and expenses incurred subsequently could not be recovered in the year. Because of the non-recurring nature of these costs and expenses as related to that year, Sogemines Limited elected to absorb them by a charge to retained earnings.

15. Increase in Sales

The operations of Indussa Corporation, a trading company with a low profit margin, which was acquired in 1967 accounted for most of the increase in sales during that year.

16. Net Earnings Available for Payment of Interest

The combined and consolidated net earnings for the five years ended December 31, 1967 which were available for the payment of interest on the long-term obligations of the Company after deduction of interest on the long-term obligations of subsidiaries and withholding taxes which would have been payable on the distribution of the income of subsidiaries in the United States if such income had been distributed were:

1963	\$3,507,000
1964	\$4,610,000
1965	\$5,630,000
1966	\$6,487,000
1967	\$6,341,000

17. Rate of Exchange

The accounts of the foreign subsidiaries have been converted to Canadian dollars at the following rates of exchange:

- (i) Fixed assets at rates at the date of each acquisition;
- (ii) Long-term debt at rates at the date of each transaction;
- (iii) Other assets and liabilities at the rate at December 31, 1967;
- (iv) Revenues and expenses, other than depreciation, at average rates in effect during the relevant periods; and
- (v) Depreciation at rates effective on the dates on which the expenditures on the related assets were made.

18. Proposed Transactions

(i) Sogemines Limited has entered into a letter of intent with respect to the acquisition of all the outstanding shares of J. Kearns Transport Ltd. and proposes to acquire 40,000 common shares of Lynbar Mining Corporation Limited representing a small minority interest. As part of the consideration of these acquisitions Sogemines Limited proposes to issue approximately 13,100 of its common shares.

(ii) Sogemines Limited proposes to issue an additional series of First Mortgage Bonds with Share Purchase Warrants, the amount and attributes of which are yet to be determined.

Auditors' Report

To the Directors,
Sogemines Limited.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Sogemines Limited and subsidiary companies as at December 31, 1967 and the combined and consolidated statements of earnings and retained earnings for the five years ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) the accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1967;
- (b) the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1967 after giving effect to the changes set forth in Note 2 to the financial statements; and
- (c) the accompanying combined and consolidated statements of earnings and retained earnings present fairly the combined and consolidated earnings and retained earnings of the companies, including those companies which were amalgamated by acquisition in 1965, for the five years ended December 31, 1967;

all in accordance with generally accepted accounting principles applied in all material respects on a consistent basis.

Montreal, Quebec, April 16, 1968.

(Sgd.) McDONALD, CURRIE & Co.

Chartered Accountants.

Consent of Auditors

To Sogemines Limited

We hereby consent to the use of our report dated April 16, 1968 on the consolidated balance sheet and pro forma consolidated balance sheet of Sogemines Limited and subsidiary companies as at December 31, 1967, and the combined and consolidated statements of earnings and retained earnings for the five years ended on that date, appearing in the circular accompanying the Offer by Sogemines Limited to shareholders of McAllister Towing Ltd.

Montreal, Quebec, April 16, 1968.

(Sgd.) McDONALD, CURRIE & Co.

Chartered Accountants.

LETTER OF TRANSMITTAL

To accompany certificates for shares of McALLISTER TOWING LTD. delivered pursuant to the Offer of SOGEMINES LIMITED.

Please read carefully the instructions on page 26 before completing this letter of transmittal.

MONTREAL TRUST COMPANY,
777 Dorchester Blvd. West,
Montreal, Quebec.

MONTREAL TRUST COMPANY,
Notre Dame at Albert St.,
Winnipeg, Manitoba.

MONTREAL TRUST COMPANY,
10185-102 St.,
Edmonton, Alberta.

MONTREAL TRUST COMPANY,
466 Howe St.,
Vancouver, British Columbia.

(select appropriate address)

Date: _____, 1968.

MONTREAL TRUST COMPANY,
15 King St. West,
Toronto, Ontario.

MONTREAL TRUST COMPANY,
1695 Hollis St.,
Halifax, Nova Scotia

MONTREAL TRUST COMPANY,
43 King St.,
Saint John, New Brunswick

Dear Sirs:

The undersigned, owner of, and with full authority to sell and transfer, the shares thereby represented, hereby delivers to you the following share certificate(s) for shares without nominal or par value of the capital stock of McALLISTER TOWING LTD. (herein called "McAllister"):

CERTIFICATE NUMBER	NAME IN WHICH REGISTERED	NUMBER OF SHARES

(If space insufficient please attach list)

The undersigned hereby irrevocably delivers, subject to the right of withdrawal mentioned in the Offer, such shares of McAllister and assigns all right, title and interest therein to SOGEMINES LIMITED (herein called "the Company") to be exchanged on the basis of nine fully paid and non-assessable common shares without nominal or par value (herein called the "Common Shares") of the capital stock of the Company for each ten shares without nominal or par value of the capital stock of McAllister.

Said certificates are delivered to you pursuant to the Offer made by the Company to the holders of shares of McAllister under date of April 16, 1968, which Offer is hereby accepted by the undersigned. You are hereby appointed the agent of the undersigned for the purpose of effecting the exchange.

Please issue the Common Share certificate(s) and, where appropriate, a cheque in the name specified below and mail same by insured mail to the address for that purpose designated below, or if so indicated, deliver such Common Share certificate(s) and cheque against counter receipt. If the conditions referred to in paragraph 3 of the Offer are not fulfilled and are not waived by the Company, this letter of transmittal and certificate(s) representing the shares delivered hereby are to be returned in the same manner as is provided for in the preceding sentence.

Issue in name of (Please print)

Deliver (Indicate alternative desired)

Name

☐ To same address as for issuance
or

Address

☐ To

(Street Address or P.O. Box)

(Street Address or P.O.Box)

(City - Province)

(City - Province)

or

☐ Against counter receipt

Signature Guaranteed

X

(Signature)

(See item 2 of instructions)

(Signature of shareholder as indicated on face of certificate
or authorized representative as agent)

INSTRUCTIONS OVERLEAF

INSTRUCTIONS

1. Use of Letter of Transmittal

Each shareholder of McAllister desiring to accept the Offer shall send or deliver this letter of transmittal, completely filled in and signed, together with the share certificate(s) described therein, to Montreal Trust Company (hereinafter referred to as the "Exchange Agent"), at any of its offices at 1695 Hollis St., Halifax, Nova Scotia; 43 King St., Saint John, New Brunswick; 777 Dorchester Blvd. West, Montreal, Quebec; 15 King St. West, Toronto, Ontario; Notre Dame at Albert St., Winnipeg, Manitoba; 10185—102 St., Edmonton, Alberta; or 466 Howe St., Vancouver, British Columbia. The method of delivery of shares of McAllister to the Exchange Agent is at the option and risk of the holder, but if mail is used, registered mail is suggested. Share certificate(s) registered in the name of the person by whom (or on whose behalf) the letter of transmittal is signed need not be endorsed or accompanied by any stock power other than the letter of transmittal itself executed in accordance with item 2 below. Share certificates not so registered must be endorsed by the registered holder thereof or accompanied by stock transfer powers duly and properly completed by such registered holder, with signature guaranteed in either case as provided in item 2 below and must be in proper form for transfer.

2. Signature of Letter of Transmittal

(a) The letter of transmittal must be filled in and signed by the shareholder accepting the Offer or by his duly authorized representative. Such signature must be guaranteed by a bank or trust company having a Montreal office or correspondent or by a firm having membership in a recognized Canadian stock exchange or in some other manner satisfactory to the Exchange Agent.

(b) Where the letter of transmittal is executed on behalf of a corporation, partnership or association or by an agent, executor, administrator, trustee, tutor, curator, guardian or any person acting in a representative capacity, the letter of transmittal must be accompanied by satisfactory evidence of authority to act.

(c) Where the letter of transmittal is executed by a married woman, she must, if her husband's authorization is necessary, be authorized by her husband by means of his writing under the guarantee of her endorsement the words "to authorize my wife" and adding his signature, which must be guaranteed as described above.

(d) If additional copies of the letter of transmittal are desired for any purpose, they may be obtained from the Exchange Agent.

THIS SPACE RESERVED FOR EXCHANGE AGENT

McAllister
Shares Received

The Company
Common Shares Issued

The Company
Cash Issued

.....Shares

.....Shares

\$.....

Checked

File

By.....

Date.....

Investment Dealer or Broker, if any, through whom delivery of shares effected.

Name

Address

AR34

on
the

Sogemines Limited Annual Report 1967



Highlights



earnings

	1967	1966
Sales and Revenues	\$88,947,806	\$45,468,788
Cash Earnings	9,607,494	9,537,727
Depreciation	4,386,708	4,323,379
Income Taxes	163,956	—
Net Earnings	5,220,786	5,214,348

dividend paid

\$ 3,164,597	\$ 3,055,913
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values per share

Based on the Average Number of Shares Outstanding

Net Earnings—Before Income Taxes	\$ 1.12	\$ 1.11
—After Income Taxes	1.09	1.11
Cash Flow	2.01	2.03

Based on Shares Outstanding at December 31

Book Value	16.26	15.80
Dividend	0.65	0.65

other

Expenditures on Fixed Assets	\$ 9,159,603	\$ 6,308,770
Long-Term Investments	29,285,380	18,806,876
Long-Term Debt Outstanding	23,053,987	18,865,000
Total Shareholders' Equity	79,161,027	74,292,516
Wages and Salaries	7,200,976	7,239,169
Number of Shares Outstanding at—December 31	4,868,610	4,701,404
—Average	4,791,181	4,701,404
Number of Employees	1,242	1,245

The Annual General Meeting of Shareholders of Sogemines Limited will be held on Wednesday, April 24, 1968 at 2:30 P.M., Eastern Standard Time, in the Auditorium on floor Mezzanine 2 of The Royal Bank of Canada Building, One Place Ville Marie, Montreal, Canada.

Les actionnaires qui préféreraient recevoir ce rapport en français sont priés de s'adresser au Secrétaire de la Société.

contact for info

directors

*Charles de Bar	Executive Vice-President of the Company	Brussels, Belgium
Henry Blaise	Director, Société Générale des Minerais	Brussels, Belgium
F. Campbell Cope, Q.C.	Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery and Renault	
W. Leslie Forster, C.B.E.	Consultant	Montreal, Canada
*August A. Franck	President of the Company	Montreal, Canada
Serge Lambert	Vice-Governor, Société Générale de Belgique	Montreal, Canada
*W. Earle McLaughlin	Chairman and President, The Royal Bank of Canada	Brussels, Belgium
Max Nokin	Governor, Société Générale de Belgique	Montreal, Canada
Charles C. Notebaert	President, African Metals Corporation	Brussels, Belgium
Hon. Jean Raymond, Q.C., M.L.C.	President, Alphonse Raymond Limitée	New York, U.S.A.
André de Spirlet	Chairman, Compagnie Maritime Belge	Montreal, Canada
Edgar Van der Straeten	Honorary Vice-Governor, Société Générale de Belgique	Brussels, Belgium
*C. A. Vandendries	President, Brockville Chemical Division of the Company	Brussels, Belgium
*Edward C. Wood	Chairman of the Company, Director, The Royal Bank of Canada	Montreal, Canada
William S. Ziegler	President, Inland Cement Division of the Company	Montreal, Canada
*Member of the Executive Committee		Edmonton, Canada

officers

Edward C. Wood	Chairman of the Board
Edgar Van der Straeten	Vice-Chairman of the Board
August A. Franck	President
Charles de Bar	Executive Vice-President
Bernard T. Johnson	Vice-President
Angus A. MacNaughton	Vice-President
Lawrence R. Sinclair	Treasurer
William W. Tinmouth	Secretary

general counsel

Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery and Renault, Montreal, Canada

auditors

McDonald, Currie & Co., Montreal, Canada

transfer agent & registrar

Montreal Trust Company
Montreal, Toronto, Edmonton, Saint John, N.B., and Vancouver, Canada

stock exchanges

Montreal, Toronto, Calgary, Vancouver, Canada and Antwerp and Brussels, Belgium

corporate office

Suite 4105, One Place Ville Marie, Montreal 2, Canada

Report to the Shareholders



The Board of Directors is pleased to submit the Annual Report of the Company and its subsidiaries, together with Audited Consolidated Financial Statements for the year ended December 31, 1967.

GROWTH—1967

The Company made substantial investments resulting in the marketing of certain of its products to the ultimate consumer as well as the entry into new industries.

The fertilizer operations of Canada Packers Limited were purchased in June 1967; in January 1968, the Company exercised its option to acquire the outstanding shares of International Fertilizers Limited and Albatros Fertilizers, Inc. The Brockville Chemical division now markets fertilizer products under the names "Shur-Gain", "Spruceleigh" and "Albatros", in addition to its "Bull's Eye" brand products. Its market areas include Ontario, Quebec and the Maritime Provinces, Canada and Northeastern United States.

The Company's offer to shareholders of Indussa Corporation of New York to acquire all outstanding shares on the basis of twelve shares of the Company for one share of

Indussa Corporation was successful. Indussa Corporation commenced operations thirty years ago in New York as an importer and exporter of steel and other industrial products and has offices in Chicago, San Francisco, Los Angeles, Houston and Atlanta.

Adby Construction and Transport Co. Ltd. of Edmonton, operating more than seventy transport units in Alberta and British Columbia, was purchased in August 1967. Adby Transport is operated by the Inland Cement division, for which it is the principal trucker in Alberta and British Columbia and also transports a variety of building materials and machinery for various other customers.

During October 1967, the Company announced that it proposed to make an offer to acquire all the outstanding shares of McAllister Towing Ltd., on the basis of nine shares of the Company for ten shares of McAllister Towing Ltd. The other principal shareholders, McAllister Brothers Inc. and Compagnie Maritime Belge have agreed to accept the proposed offer subject to receiving appropriate tax rulings which are expected to be forthcoming during the first quarter of 1968.

Report to the Shareholders (continued)

The sale of the Company's Iroquois Glass division to Consumers' Glass Company Limited was finalized in April 1967. The decision to sell this division, which represented 10% of the Company's sales and revenues, was made upon completion of studies which concluded that the division exhibited neither the development nor the profit potential consistent with corporate objectives.

The Company is continually evaluating potential acquisitions and studying new plant additions and expansions in order to participate in the industrial growth of North America. The evaluation of these projects is undertaken to determine opportunities where the best returns on invested capital can be obtained. The Company is not bound to any one industry and believes that its resources should be directed away from areas suffering from an over-investment of capital to areas where the investment of additional capital will prove to be financially rewarding.

The Company during 1967 commenced to review a number of mining opportunities independently and in conjunction with Union Minière, the international mining company

affiliated with the Société Générale de Belgique. Union Minière has formed a Canadian mining exploration company with its head office located at the Corporate Office of Sogemines.

In order to further strengthen the Company's development department, an office for Western Canada was opened in Edmonton and the Corporate Office staff in Montreal increased. This additional staff will permit the Company to better evaluate new investment opportunities with a view to broadening the base of the Company which will give it further stability while decreasing the effects of seasonal fluctuations.

FINANCIAL REVIEW

Sales, Revenues and Earnings

During 1967, sales and revenues were \$88,947,806 reflecting a substantial increase over 1966. The increase is due principally to the inclusion of sales of Indussa Corporation, a trading company with a low margin, from April 1, the fertilizer operations from June 29, and to a lesser degree, of Adby Transport from May 1.



Earnings before taxes for 1967 amounted to \$5,384,742 or \$1.12 per average number of shares outstanding compared with \$5,214,348 and \$1.11 for 1966; net earnings after taxes for 1967 amounted to \$5,220,786 or \$1.09 per average number of shares outstanding. In addition to these earnings, the Company has



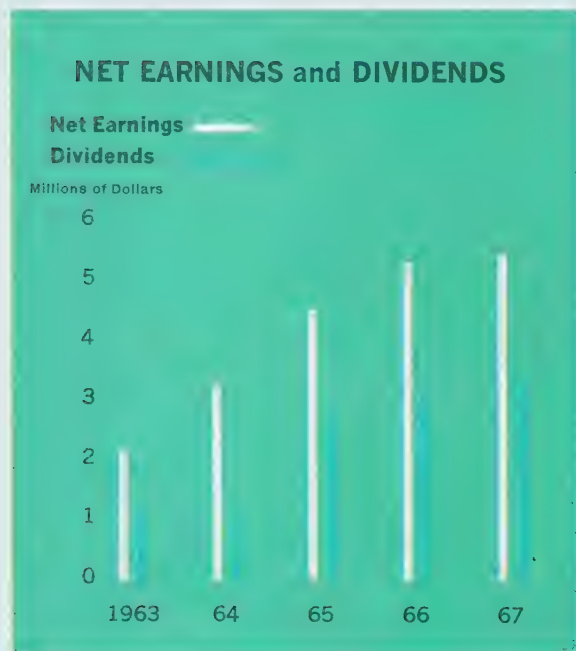
realized a net gain of \$1,824,807 on the sale of its Iroquois Glass division after providing for estimated costs relating to the collection of customers' accounts and sale of inventories which will not be completed until late 1968. The fertilizer operations were acquired on June 29, after the year's busy season, and the low levels of sales for the last half of the year, as anticipated, resulted in a loss. In addition, other costs and expenses were incurred during this period which, due to the seasonal nature of the industry, could not be recovered in the current year and consequently the Company decided to charge these amounts to retained earnings in 1967 as a non-recurring item.

Income Taxes

The income taxes of \$163,956 provided in 1967 are those of subsidiary companies. As expected, no further provision for income taxes was required by the Company for 1967 as sufficient capital cost allowance is available to defer any income tax liability.

The Company is continuing to claim maximum capital cost allowances for income tax purposes and expects that there will be no income taxes

Report to the Shareholders (continued)



The dividends before 1965 were paid by one of the other companies amalgamated.

payable in 1968 other than minor amounts in subsidiary companies.

Dividend

The Company declared a dividend of \$0.65 per share payable January 12, 1968 to shareholders of record December 28, 1967.

This is the third consecutive year during which dividends were declared; dividends of \$0.60 and \$0.65 per common share were paid in December of 1965 and 1966. The dividend declared for the 1967 fiscal year amounted to \$3,164,597.

Investments

During the year, the principal increase in investments was the 6¾% Secured Debentures issued by Consumers' Glass Company Limited as part payment for its purchase of the Iroquois Glass division. These debentures mature at \$1 million annually through to 1973 with the final amount being determined late in 1968 by the proceeds of customers' accounts and inventories.

CANADIAN ECONOMY

In 1967, the Canadian economy reacted almost as anticipated with two notable exceptions; stronger price pressures and a milder recession than forecast. Gross National Product grew 2.5% in volume, about 7% in money terms. The second half of the year was strengthened by some improvement in the United States and West European economies.

In 1968, the Canadian economy is expected to perform better than in 1967. A more moderate increase in the general price factor of Gross National Product is forecast for 1968 compared to 1967, along with a 4% to 5% increase in volume. Beyond 1968, the outlook for the Canadian economy continues to be one of considerable growth potential.

EXECUTIVE COMMITTEE

The Shareholders of the Company at a Special General Meeting of Shareholders held April 27, 1967, approved the creation of an Executive Committee of the Board of Directors. The Directors of the Company elected Messrs. Edward C. Wood, August A. Franck, Charles de Bar, W. Earle McLaughlin and

Dr. C. A. Vandendries, members of the Executive Committee. This Committee meets on a regular basis and devotes much of its attention to acquisition and diversification proposals presented after study and evaluation by the Company management.

DIRECTORS

André Jadoul, a director of this Company, died in late December, 1967. Mr. Jadoul was appointed a director in 1963 and was one of the founders of the Inland Cement division. His competent guidance over the many years was of great value and his voice in the affairs of the Company will be greatly missed.

APPRECIATION TO EMPLOYEES

Your Directors again wish to express their appreciation to all employees for their co-operation during the past year.

On behalf of the Board,
A. A. FRANCK
President

March 15, 1968.

Review of Divisions

CEMENT

Although there was considerable concern in the past year over the level of construction activity in Canada as a whole, the dollar volume of construction contract awards and building permits in the Prairie Provinces exceeded 1966 levels by a comfortable margin. Major dam and resource projects, along with the strong performance of the Prairie Provinces economy, allowed the cement industry in the market area of the Inland Cement division to experience a healthy growth rate in 1967. Inland's sales continued at record levels.

The rising trend of operating costs continues to be a matter of constant concern. During the year, new two-year Union agreements embodying higher wage costs were negotiated. In addition, there were substantial increases in the transportation costs of incoming and outgoing shipments as well as significant increases in salaries and a number of other operating costs. As a result, it was necessary to introduce increases in the product prices to alleviate the effect of the cost increases.

The capital expenditure programme was directed principally towards improvements and replacements of production facilities. During the year the cement distribution centres

at Saskatoon and the Lakehead were completed and taken into operation.

The outlook for the industry in 1968 is difficult to predict. Current government fiscal policy is directed towards restraining inflationary pressures. Shortages of funds and high interest rates, together with government cutbacks in proposed construction, will undoubtedly have a depressing effect on construction activity. However, there are significant offsetting factors in Inland's market area. Examples are large projects already under construction including dams, urban development, potash and other industrial developments and the continued heavy demand for housing and related projects. On balance it appears that 1968 will be another satisfactory year for Inland Cement.

FERTILIZER AND CHEMICAL

The outlook for the chemical industry in 1968 appears to be uncertain. Low prices and a condition of over-capacity point to some transition difficulties to achieve improved profitability through price adjustments and the higher productivity of recent capital investment.

The Eastern Canada fertilizer industry continues to experience steady growth in sales. Rising material and labour costs have been only partly offset in product prices, however, it is



expected that net sales values of Brockville Chemical will improve as consumption and supply move more closely into balance.

Inclement weather during the Spring fertilizer season, poor yields from the new urea production facilities and over-capacity in ammonia in the North American chemical industry contributed to the division's reduced profits for 1967. The yield of the urea plant has been improved and it is expected that the newly purchased fertilizer operations will insure a greater contribution by the Brockville Chemical division to the Company's earnings during 1968.

Management, experienced in the fertilizer industry, was acquired with the new fertilizer operations which have been integrated with the Brockville Chemical division. Mr. A. Lambert, formerly President of International Fertilizers Limited, has been appointed Executive Vice-President of the division. In order to strengthen the management team, a reorganization of operating personnel was undertaken and Directors of Administration, Marketing, and Engineering, along with General Managers in charge of each of the Fertilizer and of the Chemical Operations were appointed. In order to consolidate operations the main office of the division was transferred to Montreal.

The division's present contract with the Union representing 182 employees at the division's Maitland plant terminates in April 1968. New contract negotiations are presently being conducted.

IMPORT, EXPORT AND INDUSTRIAL PRODUCTS

Imports of steel and non-ferrous products in 1967 reflected the general industrial hesitancy of the North American economies. The outlook for 1968 is cyclical, reflecting a modest forecast in capital expenditure in both Canada and the United States and inventory accumulation in anticipation of a possible steel industry strike in the United States.

The Indussa New York and Indussa Canada divisions, importing steel and non-ferrous metals from world suppliers for sale in the United States and Canada and exporting a variety of domestic products to overseas markets, accounted for most of the increase in the Company's sales in 1967. Approximately 300,000 tons of steel and a large tonnage of other products were imported and sold. In view of the competitive conditions prevailing in steel markets, earnings of these divisions were satisfactory.

Inland Cement

Divisional Products and Services



The pictures on these pages illustrate the use of concrete and concrete products. The Canadian National Tower in Edmonton, Alberta is a good example of a multi-storied reinforced concrete structure. An Adby Transport unit used for hauling cement is shown with the Alberta parliament buildings at Edmonton in the background. The unique pedestrian walkway at the University of Saskatchewan illustrates the versatility of concrete. The concrete stadium built in Winnipeg for the Pan American games in 1967 shows the effective use of concrete in structures of this kind.





Brockville Fertilizer



Brockville Chemical

Sogemines



The use of fertilizer products manufactured by the Brockville Chemical division is shown in the photographs at the left. The spreading of urea and ammonia on growing crops is facilitated by equipment leased by Brockville Chemical to dealers and farmers in Eastern Canada. The division has a large fleet of tank cars which are shown at the Chatham, Ontario distribution plant. These tank cars are leased to dealers and farmers in the surrounding area.



Certain of the chemical products manufactured by Brockville Chemical are shown at the Maitland plant—three grades of urea: fertilizer, feed and technical, and ammonia tank car and pressure truck loaded with hydrogen, ready for shipment to various customers.



Indussa Corporation

Indussa Canada



The unloading of imported steel from world suppliers for sale in the United States and Canada is illustrated by this sequence of photographs at the left. From port of entry, steel is distributed to customers in all parts of North America filling orders taken at the Indussa offices in the United States and Canada.

The salvage barge owned by McAllister Towing Ltd., being pulled by two company-owned tugs, is being taken to location for salvage operation.

Review of Investments

Rothesay Paper Corporation

Although sales for 1967 were in excess of those for 1966, Rothesay has recorded a small loss after depreciation for the year because of paper machine accidents. Production for 1967 reached 149,000 tons of newsprint of which 146,000 tons were sold. Rothesay expects that its sales of newsprint during 1968 will exceed sales of 1967.

McAllister Towing Ltd.

A continued reasonable level of general business activity influences favourably Canada's transportation industry. Western shipping and barge operations should benefit from the forecast improvement in the lumber industry, the result of increased housing construction in both the United States and Canada.

The operations of McAllister Towing Ltd. and its wholly-owned subsidiary, Island Tug & Barge Limited, were satisfactory during 1967.

Fraser Companies, Limited

The pulp and paper industry during 1967 suffered from over supply of products and the consequent price competition. Fraser, as a result of this situation and certain operating problems, experienced a difficult year.



Summary of Canadian Economy

Sogemines

	Preliminary 1967	1966	1965
Gross National Product—\$ billions			
—in Current Dollars	61.5	57.7	52.1
—in Constant (1957) Dollars	48.4	47.4	44.7
Employment—thousands	7,378	7,152	6,862
Corporate Profits After Taxes—\$ millions	3,000	2,997	3,035
Corporate Dividends—\$ millions	1,690	1,723	1,547
Production			
—Primary Steel—thousands of tons	9,525	10,003	10,029
—Motor Vehicles—thousands of units	937	893	855
—Newsprint—thousands of tons	8,100	8,419	7,720
—Paper and Pulp—\$ millions	2,300	2,306	2,104
—All Minerals—\$ millions	4,399	3,969	3,775
—Cement—\$ millions	146	156	142
Farm Cash Income—\$ millions	4,564	4,241	3,806
Wheat Production—millions of bushels	593	827	649
Private and Public Capital Investment—\$ millions	15,520	14,897	12,865
Housing Starts—thousands of units	161	134	167
Merchandise Exports—\$ millions	11,300	10,326	8,767
Merchandise Imports—\$ millions	10,800	9,867	8,633
Deficit on Current Account—\$ millions	425	1,137	1,130

Corporate Personnel, Products & Services

DIVISIONS

Brockville Chemical

C. A. Vandendries — President
 A. Lambert — Executive Vice-President
 H. B. McEwen — Director of Marketing
 P. M. Adriaen — Director of Engineering
 T. Hurdman — Director of Administration
 and Secretary-Treasurer

J. Chantraine — General Manager—Chemical
 L. E. Whitworth — General Manager—Fertilizer

Industrial chemicals, fertilizers and fertilizer materials, including ammonia, ammonium nitrate, urea, nitrogen solutions, nitric acid and industrial gases (nitrogen, hydrogen and carbon dioxide).

Main Office Suite 2340
 Fertilizer and Chemical One Place Ville Marie
 Montreal 2, Quebec

Chemical Plant and Sales Office Maitland, Ontario
 Fertilizer Regional Offices Toronto, Ontario;
 Montreal, Quebec;
 Saint John, New Brunswick
 Fertilizer Plants Toronto, Welland,
 Chatham and Cornwall,
 Ontario; Montreal, Ste. Foy
 and Sillery, Quebec;
 Saint John, New Brunswick;
 Summerside, Prince Edward
 Island; Windsor, Nova
 Scotia; Presqu'Isle, Maine

Inland Cement

William S. Ziegler — President
 D. R. B. McArthur — Executive Vice-President
 George Ross — Vice-President—Marketing
 Walter S. Bannister — Vice-President—Production
 R. J. Zimmer — Secretary-Treasurer

Normal portland cement, oilwell cement, high early strength cement, masonry cement, sulphate resistant cement and special potash cement.

Main Office 156th Street & 125th Avenue
 P.O. Box 2555
 Edmonton, Alberta

Plants Edmonton, Regina and
 Winnipeg

Distribution Centres Calgary, Saskatoon and
 Port Arthur

Sales Offices Edmonton, Calgary, Regina,
 Saskatoon, Winnipeg,
 Port Arthur

Aaby Transport

Frank J. Aaby — President
 H. F. Ward — Manager

Fleet of 70 highway transport units operating in Alberta and Eastern British Columbia.

Main Office 7204 - 118th Avenue
 Edmonton, Alberta

Indussa Corporation

Victor V. Shick — President
 Nils Wennerholm — Senior Vice-President
 E. J. Helfand — Vice-President
 Arthur Scotto — Treasurer
 Howard Bachrach — Secretary

General mill representatives and importers specializing in ferrous and non-ferrous products from world suppliers to the United States and the export of domestic products to overseas markets.

Main Office 605 Third Avenue
 New York, N.Y. 10016

Offices Chicago, San Francisco,
 Los Angeles, Houston
 and Atlanta

Indussa Canada

George R. Pootmans — President

General mill representatives specializing in imported ferrous and domestic non-ferrous products.

Main Office 1980 Sherbrooke Street West
 Montreal, Quebec

Office 6 Eva Road
 Building No. 3
 Etobicoke, Ontario

Industrial Sales

Vincent Madigan — Manager—Sept-Iles, Quebec

Distributors of rubber and other products to the mining industry.

Sales Office and Sept-Iles, Wabush
 Warehouses

Neelon Steel

Thomas C. Hirst — President

Cast steel grinding balls.

Main Office and Plant R.R. 1
 Sudbury, Ontario



INVESTMENTS

McAllister Towing Ltd.

(Island Tug & Barge Limited)

Marine towing, transportation and salvage in Port of Montreal, St. Lawrence River, St. Lawrence Seaway and the Great Lakes; Ports of Vancouver and Victoria, the Pacific coastal waters and the Northern Pacific areas.

Rothsay Paper Corporation

Newsprint.

Fraser Companies, Limited

Sulphite and groundwood specialty papers, chemical wood pulps, groundwood pulp, paperboard and lumber products.

St. Lawrence Fertilizers Limited

Ammonium phosphate, triple super-phosphate, phosphoric acid and fertilizer materials used in preparation of complex fertilizers.



Place Ville Marie, Montreal

Ten-Year Review



	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
(Except for values per share and number of employees all figures are stated in thousands)										
EARNINGS										
Sales and Revenues	\$88,948	45,469	37,149	30,816	29,100	29,070	19,178	15,613	13,372	13,208
Cash Earnings	\$ 9,608	9,538	8,050	6,601	5,500	5,904	3,837	2,022	2,313	3,125
Depreciation	\$ 4,387	4,323	3,753	3,427	3,366	3,189	1,753	1,414	1,160	1,174
Income Taxes Paid	\$ 164	—	—	7	1,168	20	40	5	185	20
Net Earnings	\$ 5,221	5,214	4,297	3,174	2,134	2,715	2,084	608	1,153	1,951
DIVIDENDS PAID	\$ 3,165	3,056	2,821	1,137	1,137	1,137	852	852	815	—
VALUES PER SHARE										
Based on the Average Number of Shares Outstanding Net Earnings—										
Before Income Taxes	\$ 1.12	1.11	.91	.68	.70	.58	.45	.14	.37	.58
After Income Taxes	\$ 1.09	1.11	.91	.67	.45	.58	.45	.14	.32	.58
Cash Flow	\$ 2.01	2.03	1.71	1.40	1.17	1.26	.82	.47	.63	.92
Based on Shares Out- standing at December 31										
Book Value	\$ 16.26	15.80	15.24	14.63	14.11	13.92	13.55	13.21	12.56	12.28
Dividend	\$.65	.65	.60	.24	.24	.24	.18	.18	.21	—
OTHER										
Expenditures on Fixed Assets	\$ 9,160	6,309	10,658	10,606	2,166	955	10,591	16,269	7,781	335
Long-Term Investments	\$29,285	18,807	20,106	18,082	17,711	13,932	11,713	12,788	12,139	13,449
Long-Term Debt Outstanding	\$23,054	18,865	20,532	22,163	17,033	17,653	14,853	12,353	4,764	7,605
Total Shareholders' Equity	\$79,161	74,293	71,646	68,804	66,413	65,428	63,796	61,409	49,253	41,498
Number of Shares Outstanding										
—December 31	4,869	4,701	4,701	4,701	4,706	4,698	4,707	4,648	3,921	3,380
—Average	4,791	4,701	4,701	4,703	4,702	4,702	4,678	4,284	3,650	3,380
Number of Employees	1,242	1,245	1,148	989	1,021	959	898	611	545	370

The above comparative figures up to and including 1965 combine the four companies which were amalgamated in 1965 and eliminate inter-company transactions. The share exchange ratio of the amalgamation has been applied in each prior year.

The dividends prior to 1965 were paid by one of the other companies amalgamated.

Sogemines Limited

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET as at December 31, 1967

ASSETS

CURRENT ASSETS	1967 \$	1966 \$
Accounts and notes receivable.....	23,747,857	7,392,635
Inventories (note 2).....	10,871,601	6,125,141
Prepaid expenses.....	<u>331,518</u>	<u>154,946</u>
	<u>34,950,976</u>	<u>13,672,722</u>
SPECIAL REFUNDABLE INCOME TAX.....	<u>333,000</u>	<u>247,000</u>
INVESTMENTS (note 4)		
Marketable securities—at cost (quoted value 1967—\$8,690,179; 1966—\$9,131,663).....	9,757,352	9,637,895
Other securities—at cost.....	16,693,894	7,539,159
Participations in real estate (note 10).....	1,639,134	1,629,822
Deposit of purchase price of shares (note 9).....	<u>1,195,000</u>	<u>—</u>
	<u>29,285,380</u>	<u>18,806,876</u>
FIXED ASSETS		
Land, buildings, machinery and equipment (note 3).....	82,039,206	79,772,530
Accumulated depreciation.....	<u>12,300,401</u>	<u>7,209,556</u>
	<u>69,738,805</u>	<u>72,562,974</u>
	<u>134,308,161</u>	<u>105,289,572</u>

Signed on behalf of the Board,

EDWARD C. WOOD, Director

A. A. FRANCK, Director

LIABILITIES

CURRENT LIABILITIES	1967 \$	1966 \$
Bank advances and acceptances.....	13,195,493	4,236,553
Accounts payable and accrued liabilities.....	13,576,011	6,536,070
Deposits held for associated companies.....	2,060,631	352,000
Dividend payable.....	<u>3,261,012</u>	<u>1,007,433</u>
	32,093,147	12,132,056
LONG-TERM DEBT (note 4).....	<u>23,053,987</u>	<u>18,865,000</u>
	<u>55,147,134</u>	<u>30,997,056</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 5 and 6)

Authorized— 8,000,000 common shares without nominal or par value		
Issued and fully paid— 4,868,610 shares (4,701,404 shares in 1966).....	62,718,337	60,310,822
CONTRIBUTED SURPLUS.....	5,855,917	5,855,917
RETAINED EARNINGS.....	<u>10,586,773</u>	<u>8,125,777</u>
	<u>79,161,027</u>	<u>74,292,516</u>
	<u>134,308,161</u>	<u>105,289,572</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sogemines Limited and subsidiary companies as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Cune & Co.

Chartered Accountants

Montreal, February 2, 1968

Sogemines Limited

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1967

	1967	1966
	\$	\$
SALES.....	88,037,512	44,811,534
INCOME FROM INVESTMENTS.....	<u>910,294</u>	<u>657,254</u>
	88,947,806	45,468,788
COST OF SALES — including selling, general and administrative expenses.....	<u>77,930,382</u>	<u>34,716,573</u>
	<u>11,017,424</u>	<u>10,752,215</u>
INTEREST ON LONG-TERM DEBT.....	1,245,974	1,214,488
DEPRECIATION.....	<u>4,386,708</u>	<u>4,323,379</u>
	<u>5,632,682</u>	<u>5,537,867</u>
	5,384,742	5,214,348
INCOME TAXES.....	<u>163,956</u>	<u>—</u>
NET EARNINGS FOR THE YEAR (notes 1, 7 and 10).....	<u><u>5,220,786</u></u>	<u><u>5,214,348</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1967

	1967	1966
	\$	\$
BALANCE — BEGINNING OF YEAR.....	8,125,777	5,479,573
Add: Net earnings for the year.....	5,220,786	5,214,348
Net gain on sale of the assets and operations of the Iroquois Glass Division.....	1,824,807	—
Net gain on sale of investments.....	<u>—</u>	<u>487,769</u>
	<u>15,171,370</u>	<u>11,181,690</u>
Deduct: Dividend.....	3,164,597	3,055,913
Non-recurring costs and expenses of Mixed Fertilizer Division (note 8).....	<u>1,420,000</u>	<u>—</u>
	<u>4,584,597</u>	<u>3,055,913</u>
BALANCE — END OF YEAR.....	<u><u>10,586,773</u></u>	<u><u>8,125,777</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended December 31, 1967

	1967	1966
	\$	\$
SOURCE OF FUNDS		
Net earnings for the year.....	5,220,786	5,214,348
Add: Depreciation.....	<u>4,386,708</u>	<u>4,323,379</u>
	9,607,494	9,537,727
Proceeds of sale of investment.....	—	3,925,910
Proceeds of sale of the fixed assets of Iroquois Glass Division —net.....	9,421,871	—
Capital stock issued during the year.....	2,407,515	—
Increase in long-term debt.....	<u>5,757,487</u>	<u>—</u>
	<u>27,194,367</u>	<u>13,463,637</u>

USE OF FUNDS

Additions to fixed assets—net.....	9,159,603	6,308,770
Payments on long-term debt.....	1,568,500	1,667,500
Dividend.....	3,164,597	3,055,913
Non-recurring costs and expenses of the Mixed Fertilizer Division.....	1,420,000	—
Purchase of investments—net.....	9,283,504	2,139,407
Deposit of purchase price of shares.....	1,195,000	—
Special refundable income tax.....	<u>86,000</u>	<u>247,000</u>
	<u>25,877,204</u>	<u>13,418,590</u>
INCREASE IN WORKING CAPITAL.....	1,317,163	45,047
WORKING CAPITAL — BEGINNING OF YEAR.....	<u>1,540,666</u>	<u>1,495,619</u>
WORKING CAPITAL — END OF YEAR.....	<u>2,857,829</u>	<u>1,540,666</u>

Sogemines Limited

and Subsidiary Companies

Notes to Consolidated Financial Statements

for the year ended December 31, 1967

1. Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies, however the results of the operations of the subsidiary companies and divisions acquired during the year have been included only from the dates of acquisition.

The accounts of the foreign subsidiaries have been converted to Canadian dollars at the following rates of exchange:

Fixed assets at rates at the date of acquisition.
Long-term debt at the rate at the date of each transaction.
Other assets and liabilities at the rate at December 31, 1967.
Revenues and expenses, other than depreciation, at average rates in effect during the relevant periods.
Depreciation at rates effective on the dates on which the expenditures on the related assets were made.

2. Inventories

Inventories have been valued at the lower of cost and either replacement cost or net realizable value and are classified as follows:

	1967	1966
	\$	\$
Finished goods and work in process	5,685,296	3,145,100
Raw materials and manufacturing supplies	3,424,390	1,117,725
Maintenance and repair parts	1,761,915	1,862,316
	<u>10,871,601</u>	<u>6,125,141</u>

3. Fixed Assets

Fixed assets are stated at cost except that an amount has been included which represents the difference between the cost of the company's investments in the subsidiary companies, which amalgamated in 1965, and the stated value of the net tangible assets represented by those investments, after giving effect to subsequent disposals.

4. Long-term Debt

The detail of long-term debt is as follows:

	1967	1966
	\$	\$
5 $\frac{7}{8}$ % First Mortgage Sinking Fund Bonds Series A due 1984	4,500,000	4,500,000
6 $\frac{3}{4}$ % First Mortgage Sinking Fund Bonds Series B due 1975	4,889,000	5,280,000
6 $\frac{3}{4}$ % First Mortgage Sinking Fund Bonds Series C due 1980	3,750,000	4,000,000
5 $\frac{3}{4}$ % Bank Loan, payable in annual instalments to 1972	2,500,000	3,000,000
6% Note, payable in annual instalments to 1972	937,500	1,125,000
5.29% Note, payable in annual instalments to 1970	720,000	960,000
5% Note of a subsidiary payable in annual instalments to 1971 secured by pledge of investments having a market value of \$5,800,000	5,200,000	—
6% Note of a subsidiary due 1979	557,487	—
	<u>23,053,987</u>	<u>18,865,000</u>

Payments required in the next five years to meet debt instalments and sinking fund provisions are: 1968 \$2,837,500; 1969 \$3,062,500; 1970 \$3,302,500; 1971 \$3,062,500; and 1972 \$1,762,500.

5. Capital Stock

During the year 125,256 shares were issued at \$15 per share in exchange for all the outstanding shares of Indussa Cor-

poration, 16,950 shares were issued to employees under the terms of the stock option plan referred to below, for a total consideration of \$191,175 and 25,000 shares were issued for cash at \$13.50 per share.

Shares issued and fully paid are shown after deducting the 806,151 shares, at their issue price of \$15 per share, which were received by the company as a result of its shareholdings in the companies with which it amalgamated in 1965.

6. Stock Options

The company has reserved 150,000 of its common shares for a share option plan for its employees. Options are granted at a price which is not less than 90% of the last recorded sale of shares at the date of granting and expire not later than March 31, 1975. To date, options to purchase 70,500 shares have been granted to employees who were either officers or directors and options to purchase 31,500 shares to other employees. Of these shares, 16,950 have been issued and the remainder may be purchased as follows:

Immediately	34,650 shares
On or after December 1, 1968	17,050
1969	17,050
1970	10,900
1971	5,400

7. Income Taxes

The companies have claimed and intend to claim capital cost allowance which exceeds depreciation recorded in their accounts and, as a result, taxes on income for the year have been reduced by \$1,606,000. The accumulation of such reductions in taxes is \$5,967,000.

Of the net book value of depreciable assets, approximately \$12,028,000 has been used as capital cost allowance to defer taxes, as referred to above. This amount, together with an additional \$14,659,000, will not be available to reduce taxable profits in future years.

8. Non-recurring Costs and Expenses of the Mixed Fertilizer Division

The Mixed Fertilizer Division was acquired after the close of its principal selling season and as a result certain costs and expenses incurred subsequently could not be recovered in the year. Because of the non-recurring nature of these costs and expenses as related to the current year, the company elected to absorb them by a charge to retained earnings.

9. Post Balance Sheet Events

On January 16, 1968 the company exercised its option to purchase all of the outstanding capital stock of International Fertilizers, Limited and Albatros Fertilizers Inc. for a price of \$1,195,000.

The company has reached agreement in principle with other major shareholders of McAllister Towing Ltd. to acquire their shares subject to the receipt of a satisfactory income tax ruling. Upon receipt of such a ruling, the company intends to make an offer to acquire all of the outstanding shares of McAllister Towing Ltd. not now held by itself on the basis of nine shares of Sogemines Limited for ten shares of McAllister Towing Ltd. The acceptance of such an offer would result in the issue of 731,250 shares of the company.

10. Additional Information

Participations in real estate are valued at cost except for one which includes provision for profits or losses and withdrawals.

Remuneration paid during 1967 and 1966 to directors and senior officers totalled \$447,379 and \$383,971 respectively of which \$303,129 and \$288,738 respectively were paid to directors of the company as directors and officers of the companies.

